




California Environmental Protection Agency
STATE WATER RESOURCES CONTROL BOARD

CLEAN WATER STATE REVOLVING FUND ANNUAL REPORT

**FOR STATE FISCAL YEAR 2007/2008
(July 1, 2007 through June 30, 2008)**



**DIVISION OF FINANCIAL ASSISTANCE
1001 I STREET
SACRAMENTO, CA 95814**

OUR VISION

***A sustainable California made possible by clean water
and water availability for both human uses and
environmental resource protection***



OUR MISSION

***To preserve, enhance, and restore the quality of
California's water resources, and ensure their proper
allocation and efficient use for the benefit of present and
future generations***



About the State and Regional Water Boards

The State Water Resources Control Board (State Water Board) was created in 1967. The mission of the State Water Board is to ensure the quality of the state's water while balancing beneficial uses. The joint authority of water allocation and water quality protection enables the State Water Board to provide comprehensive protection of California's waters.

The State Water Board consists of five, full-time salaried Members, each filling a different specialty position. Each board member is appointed to a four-year term by the Governor and confirmed by the Senate.

There are nine Regional Water Quality Control Boards (Regional Water Boards). The mission of the Regional Water Boards is to develop and enforce water quality objectives and implement plans that protect the beneficial uses of the state's waters, recognizing local differences in climate, topography, geology, and hydrology.

Each Regional Water Board has nine, part-time Members also appointed by the Governor and confirmed by the Senate. Regional Water Boards develop "basin plans" for their hydrologic areas, issue waste discharge permits, take enforcement action against violators, and monitor water quality.

BOARD MEMBERS AND EXECUTIVE DIRECTOR

Tam M. Doduc
Chair



Tam Doduc serves for Governor Schwarzenegger as the Chair and fills the position of civil engineer on the State Water Resources Control Board. Ms. Doduc most recently served as Deputy Secretary at the California Environmental Protection Agency (Cal/EPA), where she directed the agency's environmental justice and external scientific peer review activities. She also coordinated various environmental quality initiatives, and provided general oversight of children's environmental health programs.

Ms. Doduc began her career in 1989 as an environmental consultant with McLaren-Hart, Inc. She then joined the staff of the State Water Resources Control Board and, later, the California Air Resources Board. From 1998 to 2002, Ms. Doduc provided technical and business assistance to environmental technology developers and manufacturers, serving in the Office of Environmental Technology and, later, as Cal/EPA's Assistant Secretary for Technology Certification. From 2002 to 2004, Ms. Doduc served as Cal/EPA's Assistant Secretary for Agriculture, Air and Chemical Programs.

A licensed civil engineer, Ms. Doduc earned a Bachelor of Science in BioEngineering from the University of California at Berkeley, and a Master of Science in Civil Engineering from the California State University in Sacramento. She also earned a Master of Business Administration from the University of California at Berkeley.

Gary Wolff, P.E., Ph.D.
Vice Chair



Gary Wolff, P.E., Ph.D., of Castro Valley serves on the State Water Resources Control Board in the position of Professional Engineer. Prior to his appointment to the State Water Board, he served as one of two Water Quality appointments to the nine-member San Francisco Bay Water Board. Since 2001, he has served as principal economist and engineer for the Pacific Institute for Studies in Environment, Development and Security. Dr. Wolff is an expert in the economics and engineering of resource use, including water quality; water, energy, and materials end-use efficiency; and incentive policies. His professional career has included solar energy construction contracting, water quality regulation for the State of California, design engineer at a wastewater treatment plant, founder and president of an engineering consulting firm, a post-doctoral fellowship at the Center for Conservation Biology at Stanford University, and a visiting professorship at the Graduate School of International Policy Studies at the Monterey Institute of International Studies. His community service includes chair of the Castro Valley Sanitary District Community Advisory Committee, past president of the Alameda County Recycling Board, past chair of the East Bay Municipal Utility District Demand Management Advisory Committee, and past chair of the Board of WaterKeepers of Northern California (now Baykeeper). Dr. Wolff received his Doctoral degree in Resource Economics from the University of California at Berkeley, his Masters Degree in Civil and Environmental Engineering from Stanford University and his Bachelors Degree in Renewable Energy Engineering Technology from Jordan College.

 **California Environmental Protection Agency**
STATE WATER RESOURCES CONTROL BOARD

Arthur G. Baggett, Jr.
Board Member



Arthur G. Baggett, Jr., fills the position of the attorney with the five-member State Water Resources Control Board, which is responsible for protecting all water quality and water supplies in California. The Board is also responsible for the allocation of surface water supplies for agricultural, public trust, and urban purposes throughout the State. As an attorney from El Portal, California, Mr. Baggett has had several law practices primarily in the areas of water, environmental, business and family law. He holds a Master's Degree in Environmental Studies from Antioch College and a law degree from San Joaquin College of Law. He currently serves on the Adjunct Faculty at San Joaquin College of Law, and the President of the Association of State and Interstate Water Pollution Control Administrators. He previously served two terms on the Mariposa County Board of Supervisors from 1987 to 1995, and is the former Chair of the Mariposa County Water Agency. Mr. Baggett is also a former Board Member of the Mountain Counties Water Association, and a past President of the Mariposa County Bar Association. As a scientist and teacher, Mr. Baggett served as a faculty member for the Yosemite Institute, the Sierra Institute of UC Santa Cruz, the Yosemite Association, and served on the Adjunct Faculty at Fresno State University in the Department of Chemistry.

Charles "Charlie" R. Hoppin
Board Member



Charlie Hoppin of Yuba City serves on the State Water Resources Control Board in the position of water quality expert. He is a partner in a family operated diversified farming operation in Yolo and Sutter counties. The crop base includes, fresh market melons, rice, walnuts, and a variety of small grains and oil seed.

Mr. Hoppin serves on the California State University Advisory Committee, and on the Board of Directors of Farmers Rice Cooperative where he is currently audit and finance Chairman and Vice Chairman of its Board.

Prior to his appointment to the State Water Resources Control Board, Mr. Hoppin served as advisor to then Governor Pete Wilson during the 1997 California Flood Recovery Effort, a Board Member of Sutter Mutual Water Company and a Member of the State Board of Food and Agriculture. He is the immediate past Chairman of the California Rice Industry Association. During his tenure at the Rice Industry Association, Hoppin played a key role in the implementation of many of the industry's well-recognized environmental stewardship efforts.

 **California Environmental Protection Agency**
STATE WATER RESOURCES CONTROL BOARD

Frances Spivy-Weber
Board Member



Frances Spivy-Weber of Redondo Beach has been appointed to the State Water Resources Control Board. She has served as the executive director of the Mono Lake Committee since 1997. From 1983 to 1992, Ms. Weber served as the director of international programs for the National Audubon Society. She previously was a legislative assistant for the Animal Welfare Institute from 1978 to 1982. Ms. Weber was a member of the Bay-Delta Public Advisory Committee and co-chair of its Water Use Efficiency Committee. She also served as co-chair of the Southern California Water Dialogue and convener of the California Urban Water Conservation Council. She has served on many boards, including the Water Education Foundation, California Council of Land Trusts, and Clean Water Action/Clean Water Fund.

Dorothy R. Rice
Executive Director



Prior to her appointment as Executive Director, Ms. Rice served as Deputy Director for the Department of Toxic Substances Control's (DTSC) Site Mitigation and Brownfields Reuse Program. She was responsible for DTSC's site cleanup programs, including State Superfund sites, military facilities, school properties and brownfields throughout California. Her staff also provided emergency response to hazardous substances releases and cleaned up illegal drug lab sites. Ms. Rice served in this position from 1999 until March 2007.

Throughout her 25 year state service career, Ms. Rice has focused on developing strong, motivated teams, striving for continual program improvements and increased efficiencies, and on developing collaborative relationships and partnerships within state government and with external stakeholders.

In addition to her management and communication skills, Ms. Rice has over 25 years of experience working with California environmental protection programs. Prior to her tenure at DTSC, she held a number of executive positions at the California Integrated Waste Management Board, including Chief Deputy Director, and Deputy Director of the Permitting and Enforcement and Government and Regulatory Affairs Programs. Ms. Rice also worked in the State Capitol as a Senior Committee Consultant with the Assembly Committee on Environmental Protection and Toxic Materials from 1984 to 1991. In that capacity she drafted, negotiated and analyzed legislation concerning environmental protection issues.

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I. INTRODUCTION

This report is the State Water Board's comprehensive Annual Report for its Clean Water State Revolving Fund (CWSRF) program for the period July 1, 2007 through June 30, 2008. This period corresponds with State Fiscal Year (SFY) 2007/2008. This report describes how the State Water Board met the objectives identified in the SFY 2007/2008 Intended Use Plan (IUP) and reflects the actual use of the funds available to the CWSRF.

II. PROGRAM SUMMARY

The Federal Clean Water Act (CWA) provides states the opportunity to establish a CWSRF program to help each state achieve the goal of clean water. The CWSRF is capitalized with federal and state funds. The CWSRF provides low-interest financing for construction of publicly owned treatment facilities. It also provides financing to 1) address non-point sources (NPS) of pollution and 2) develop and implement estuary conservation and management plans. Further information can be found at http://waterboards.ca.gov/water_issues/programs/grants_loans/

The CWSRF has protected and promoted the health, safety, and welfare of Californians since 1989. Many CWSRF financing recipients have discharge violations. These result in enforcement actions or pending enforcement orders by the Regional Water Boards. Every project is directly related to improving water quality and/or public health.

The revolving nature of the CWSRF program creates asset and revenue growth. Program activity from inception to fiscal year ending June 30, 2008 is shown in Table 1 below.

Table 1: Program Activity ¹ Since Inception	
Activity	Life of Program
Number of Binding Commitments	386 ²
Dollar Value of Binding Commitments	\$4,264,540,435 ²
Disbursements Processed	\$3,890,326,094 ²
Outstanding Binding Commitments	\$374,214,341

1 Program activity includes the match that local entities provide.

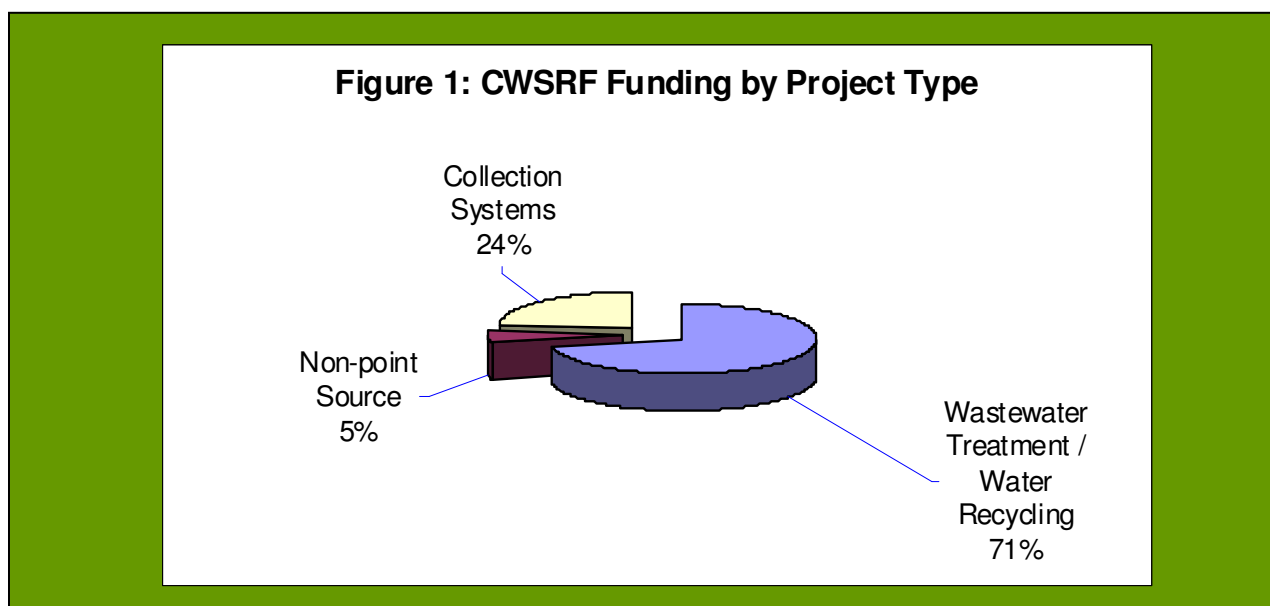
2 The National Information Management System (NIMS) report figures are slightly lower. One binding commitment (Project #4971-220) encumbered as of June 30, 2008, was not executed until July 2, 2008 in the amount of \$18,194,825. NIMS is based on the execution date.

Total CWSRF funds available, as of June 30, 2008, is \$4.507 billion. About 95 percent of the available funds have a binding commitment (an executed financing agreement), and about 86 percent of all available funds have been disbursed as of June 30, 2008. A list of all active and completed CWSRF loans is provided in Exhibit B.

The binding commitments not disbursed as of June 30, 2008, will be disbursed over the next one to three years. The CWSRF program will use the “Current Assets” of the CWSRF Program not restricted for other purposes, as well as additional revenue expected in future years, to fulfill these commitments. These funds include repayments, a conservative estimate of federal grants, state Proposition 84 funds, and future revenue bond sales.

The State Water Board operates the CWSRF Program on a cash flow basis. The Division of Financial Assistance (DFA) staff are continually developing, reviewing, and approving new projects for the remaining uncommitted funds, as well as new funds being contributed to the Program. State Water Board staff are currently working with numerous applicants to make additional commitments in SFY 2008/2009. The estimated value of these projects is about \$798 million.

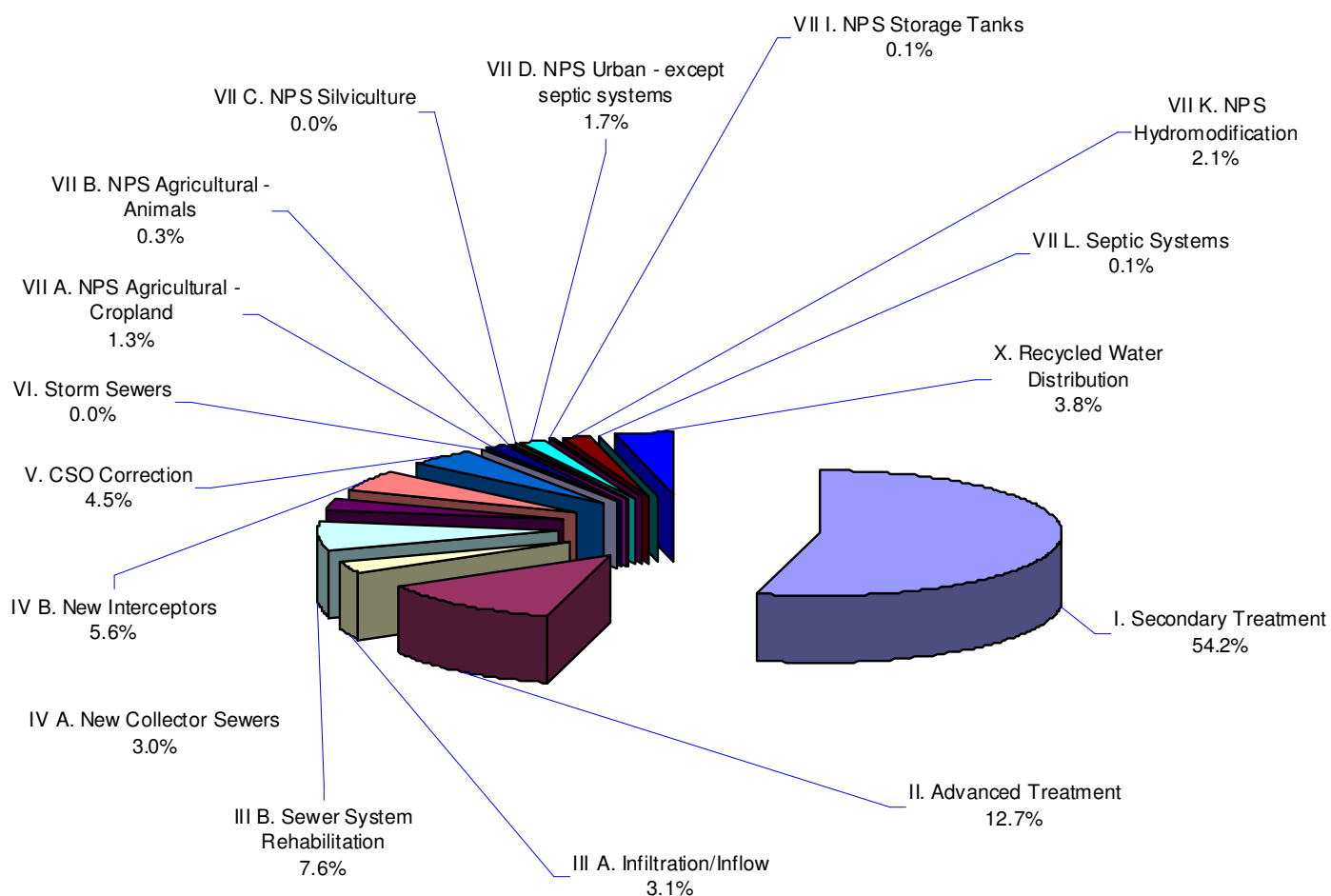
The CWSRF is used for a broad range of projects. Figure 1 illustrates the percentage of funding in three main categories of projects: wastewater treatment and recycling facilities, wastewater collections systems, and non-point source pollution prevention and reduction projects.



As seen in Figure 1, the majority of funds were used to construct and improve wastewater treatment and recycling facilities. Since inception of the program, a little over \$3 billion has been spent on treatment and recycling. Funding for wastewater collection systems is the second largest use of CWSRF funds. Approximately \$1 billion has been spent on collection systems. The State Water Board is also a leader in using CWSRF funds for non-point source (NPS) projects (currently the smallest overall use of the CWSRF). About \$210 million has been spent on NPS projects.

Figure 2 (below) provides a further breakdown of the three main categories of projects. The top six categories, accounting for just under 87 percent of the funds used, are all infrastructure categories. This demonstrates the CWSRF's importance to maintaining California's water quality infrastructure. Please note that Categories VI (Storm Sewers) and VII C (NPS Silviculture) are fundable, but no projects have been funded in these two categories to date.

Figure 2: CWSRF Funding Category



III. SPECIFIC PROGRAM GOALS AND RESULTS

A. Short-Term Goals

The State Water Board established the following short-term goals in the IUP for SFY 2007/2008:

1. Apply for and receive the Federal Fiscal Year (FFY) 2008 Capitalization Grant within the first year of the allotment period.

The State Water Board applied for the FFY 2008 CWSRF Capitalization Grant for California in the amount of \$48,667,707 on April 21, 2008.

2. To identify and fund infrastructure investments necessary to prevent pollution of drinking water sources using the funds appropriated to the State Water Board for SFY 2007/2008 from the Safe Drinking Water, Water Quality And Supply, Flood Control, River And Coastal Protection Bond Act of 2006 (Prop. 84).

In SFY 2007/2008, the State Water Board identified and funded 31 projects from Prop. 84 appropriations. A total of \$ 73.2 million was spent on projects to prevent pollution of drinking water resources.

3. To begin implementing the provisions of Assembly Bill (AB) 1742, the loan service charge.

AB 1742, chaptered October 12, 2007, allows the State Water Board to assess an annual charge for services, not to exceed 1 percent of the outstanding principal balance. The service charge does not increase the recipient's annual repayment. A portion of the interest goes to the CWSRF service charge fund.

The State Water Board established the service charge at one percent in Resolution No. 2008-0007 on February 5, 2008. State Water Board staff worked with Northbridge to modify LGTS to track the service charge revenue. Existing eligible contracts are being amended to include the service charge language to allow CWSRF to direct funds to the service charge fund, beginning July 1, 2008. About 19 of the 380 contracts identified for a service charge have been amended to date.

4. To fund projects in SFY 2007/2008 which will enable local agencies to abate public health and water pollution problems, and will reduce or abate non-point source pollution.

The State Water Board continued funding projects to abate water quality and public health problems (Public Health Hazards). These projects are classified as Priority Class "A" on the California CWSRF 2007/2008 Priority List. The State Water Board also continued funding projects to reduce or abate non-point source pollution (Exhibit D).

- 5. The State Water Board agrees to complete the one-page worksheet for all binding commitments per US EPA Order 5700.7 and agrees to include a summary of the environmental benefits worksheets in the Annual Report.**

In an effort to reduce paper, the State Water Board contracted with Northbridge Environmental Management Consultants, Inc. (Northbridge) on March 1, 2007, to expand the Loans and Grants Tracking System (LGTS) to include the Environmental Benefits Evaluation Tool (EBET). EBET captures the same information as US EPA's CWSRF Benefits Reporting database and will upload this information directly to US EPA instead of manually entering the information online. Data for SFY 2007/2008 has been uploaded. The data can be found in US EPA's Benefits Reporting database at <http://216.75.69.10/cwbenefits/login.aspx>. An overview of the Environmental Benefits for 2007/2008 can be found in Section IV of the report.

- 6. To utilize the CWSRF Program in conjunction with the State Water Board's Small Community Wastewater Grant (SCWG) program to fully leverage available grant funds.**

The State Water Board directed that projects which receive SCWG funds from Propositions 40 and 50 be eligible for the fundable portion of the SFY 2007/2008 Priority List. This ensures that SCWG Projects can use CWSRF funds in conjunction with their grants. The process of funding projects with SCWG and CWSRF funds is ongoing. In SFY 2007/2008, 19 agencies received approximately \$18.4 million in SCWG grant funds. Of these 19 agencies, one agency received a CWSRF loan in the amount of \$15.5 million, in addition to its SCWG funds.

- 7. Prepare for the issuance of a second series of revenue bonds to further leverage the CWSRF program and continue a higher rate of loan commitments.**

The State Water Board approved the sale of up to \$300 million in revenue bonds at its regularly scheduled meeting on September 22, 2005. The State Water Board continues to work with its financial advisors on the timing of additional revenue bonds sales to meet new obligations.

- 8. To further expand the new LGTS to include tracking of environmental benefits.**

The State Water Board received a \$90,000 grant from US EPA on January 27, 2006, to expand the LGTS to track environmental benefits derived from projects. State Water Board staff hired Northbridge in March 1, 2007, to perform this work. The project is 100 percent complete as of January 2008.

9. To complete closeout of previous Capitalization Grants that have been fully disbursed.

All grants prior to the FFY 2002 grant are closed. The State Water Board will be submitting closeout requests to US EPA for FFY 2003, 2004, and 2005 in SFY 2008/2009.

B. Long Term Goals

In its SFY 2007/2008 IUP, California identified the following long-term goals:

1. To achieve statewide compliance with water quality objectives and maximize the environmental benefits resulting from CWSRF funded projects.

The State Water Board continued its efforts to set and enforce water quality objectives. The State Water Board provided assistance to correct both point and non-point source pollution problems to help meet these objectives.

2. To bring Publicly Owned Treatment Works (POTWs) into compliance with federal requirements.

The State Water Board continued to provide funds to municipalities to help them achieve compliance with federal and state waste discharge requirements.

3. To perpetuate and expand the CWSRF.

California's CWSRF continues to grow. Net assets for the program increased by \$247 million, or 9.7 percent, from approximately \$2,544 million on June 30, 2007, to \$2,791 million a year later. Binding commitments increased by \$353 million, or 9.0 percent, to \$4,265 million in the same period. The increase in net assets and amount of binding commitments assure perpetuation of California's CWSRF.

California completed its first \$300 million revenue bond sale in August 2002. All available revenue bond sale proceeds were disbursed to projects as of June 26, 2007. The disbursement of revenue bond funds increases the repayment stream into the CWSRF program, and will further expand the program's ability to fund additional projects in the future.

The State Water Board continues to evaluate additional revenue bond sales (see Section A.7). The introduction of additional revenue into the program will also expand and perpetuate the CWSRF.

4. To maximize the ability of the CWSRF to assist local governments in constructing needed water quality control facilities.

The State Water Board converted to a cash flow accounting system in SFY 1998/1999 for approving and awarding CWSRF financing. The cash flow system is designed to minimize cash reserves by balancing revenue with projected disbursements. The cash flow model has greatly accelerated the disbursement of program cash.

5. To provide assistance for implementation of the Water Board's Non-point Source Management Plan.

The State Water Board's CWSRF program has funded approximately \$210 million in non-point source projects (approximately five percent of the CWSRF funds to date). The State Water Board is committed to increasing this amount because the need for non-point source projects continues to increase and these types of projects are critical to water quality.

6. To maintain at least a 95 percent rate of issuance in SFY 2007/2008 to comply with US EPA directives.

For the fiscal year ending June 30, 2008, the State Water Board issued binding commitments equaling 95 percent of the total funds available to the State Water Board. The State Water Board continues to successfully meet this goal using the current project selection system. The State Water Board generally adopts its project Priority List yearly in June. Projects that appear on the List are eligible to compete for binding commitments based on their readiness to proceed to construction. If projects do not proceed to the binding commitment stage because construction is delayed or the applicant found an alternative funding source, other projects on the List that are ready to proceed are given binding commitments instead.

The State Water Board identified 45 projects, with an estimated total commitment of approximately \$700 million, in its SFY 2007/2008 IUP that appeared likely to receive binding commitments during SFY 2007/2008. A number of these projects did not receive binding loan commitments during SFY 2007/2008 due to changes in their readiness. The State Water Board was still able to maintain a high issuance rate due to the high demand for CWSRF funds and its ability to fund other projects on the Priority List (see Section IV.C for listing and highlights of funded projects in SFY 2007/2008).

7. To establish a fee supported program that is self-funding.

AB 1742, chaptered October 12, 2007, allows the State Water Board to assess an annual charge for loan services. The CWSRF will continue to assess an annual charge throughout the loan term for loan services to fund CWSRF administration costs. CWSRF staff will monitor the service charge fund during its quarterly Finance/Audit Committee meeting to ensure that adequate funds are available for administration.

C. Financial Activity

1. Financial Statements

Audited Financial Statements for the period ending June 30, 2008 are displayed in Exhibit A. Included in the exhibit are the *Statements of Net Assets*, *Statements of Revenues, Expenses and Changes in Net Assets*, *Statements of Cash Flows*, accompanying notes to the financial statements, and reports required by the Single Audit Act Amendments of 1996.

The Financial Statements provide a more detailed view of the CWSRF's financial activity for the year as well as management's analysis of the program's financial condition.

2. Revenues

The four main sources of funds for the State Water Board's CWSRF and their contributions for the period of this report are (Page 2 of Exhibit A):

- US EPA's capitalization grant contributions of \$127.774 million
- State match revenue of \$61.290 million
- Interest income of \$54.474 million
- Net investment income and other contributions of \$16.930 million

3. Disbursements and Expenses

Total disbursements are based on the Financial Statements and does not include state match provided by local entities. Disbursements for SFY 2007/2008 were \$477.949 million. Disbursements were made as follows (Page 3 of Exhibit A):

- Loan disbursements - \$441.208 million
- Interest paid on revenue bonds - \$9.773 million
- Principal paid on revenue bonds - \$23.585 million
- Cash paid to employees and vendors - \$3.362 million
- Bond fees - \$0.021 million

4. Credit Risk of the CWSRF

Each financing recipient must pledge one or more dedicated sources of revenue toward payment of its CWSRF agreement. Dedicated sources of revenue can be sewer rate revenue pledges, general tax pledges, or other contractual income. As of June 30, 2008, the CWSRF had no defaults, but had one agreement termination. The termination was necessary because the applicant, the Los Osos Community Services District (District), stopped construction of its project in late 2005. The State Water Board officially terminated the agreement on December 13, 2005. The State Water Board intends to vigorously pursue all legal means to recover the disbursed funds.

D. Assistance Activity

In SFY 2007/0, 33 of the 45 projects listed in SFY 2007/2008 IUP were funded as scheduled (see Exhibit D for funding by needs category). The remainder of the projects on the list will be funded in SFY 2008/09 or future years.

High demand for water quality improvement funding in California requires the State Water Board to fund projects on a ready-to-proceed basis and substitute projects as needed. The reason projects in the IUP do not get funded typically relates to one or more of the following:

- Changes of needs or scope,
- Environmental process requires additional studies, more documents, and/or more hearings,
- Changes of design, and/or
- Delays in the bidding process.

A total of \$394 million in new projects were funded in SFY 2007/2008. Approximately 98 percent were for sewers, collection systems, or recycling; two percent were for NPS projects.



Del Puerto Water District Irrigation Improvement Project

E. Provisions of the Operating Agreement/Conditions of the Grant

The State Water Board agreed to a number of conditions in the Operating Agreement and Grant Agreement. The Conditions in the Operating Agreement and Grant Agreement were met.

1. Provide a State Match

The State Water Board met its State Match requirement by identifying state funds equal to at least 20 percent of the Capitalization Grant amount as detailed in Note 6, Pages 12-14 of Exhibit A. As of the end of SFY 2007/2008, the total grants awarded was \$1,931,498,585 of which \$550,083 was “in-kind” contractor costs. As of June 30, the State Water Board drew \$1,899,905,000 in CWSRF federal grants. The required match for the federal grants drawn by the State Water Board was \$379,981,000.

The state uses a combination of state general obligation bonds repaid outside the CWSRF and funds contributed by applicants to the CWSRF to meet the State Match requirement. A total of \$574,525,000 in matching funds has been contributed to the CWSRF as seen in Table 2 of Note 6 of Exhibit A. Therefore, California contributed \$194,544,000 more to the CWSRF than is required to match grants drawn as of June 30, 2008. (Note: The National Information Management System (NIMS) Report includes all state match contributed to the CWSRF.)

2. Binding Commitments Within One Year

The State Water Board will make binding commitments, in the form of signed financing agreements, to provide assistance in an amount equal to 120 percent of each federal quarterly payment within one year of that payment. By the end of SFY 2007/2008, executed binding commitments totaled \$4,265* million (Note 4, Pages 8-10 of Exhibit A), or 224 percent of the \$1,904 million in federal payments received as of SFY 2007/2008.

3. Expeditious and Timely Expenditure

Expenditure (disbursement) of CWSRF funds occurs quickly after a binding commitment is made. Applicants request disbursement of funds as costs accrue during the construction of their projects; applicants can request disbursements as often as they want. Disbursement requests are processed on a strict timeframe to ensure timely payment.

**The National Information Management System (NIMS) report figures are slightly lower. One binding loan commitment (Project #4971-220) encumbered as of June 30, 2008, was not executed until July 2, 2008 in the amount of \$18,194,825. NIMS is based on the execution date.*

DFA staff review and approve disbursement requests within seven calendar days after receipt. DFA then transmits the request to the State Water Board's accounting department.

The accounting department processes the request within seven calendar days after it receives it and transmits the request to the State Controller's Office (SCO). The SCO then has 10 calendar days to issue the warrant to the applicant.

The State Water Board initiates requests for federal funds via the Automated Standard Application for Payments (ASAP) system. ASAP is a request and delivery system of federal funds developed by the Financial Management Service of the US Treasury and the Federal Reserve Bank. By using ASAP, the State Water Board is able to draw funds from the US EPA for expenditures incurred by the CWSRF in an expeditious and timely manner.

Federal draws are requested on a monthly basis for administration costs. Draws for disbursements are made as warrants are issued by the SCO to pay the recipient. Disbursement draw requests are made within one business day of a warrant being issued. Requested funds are deposited electronically the next business day to the account(s) specified by the State Water Board.

Another way to measure the expeditious and timely expenditure of funds is to compare the amount of federal grant funds with the federal outlays to the State Water Board. A total of \$1,931 million in federal funds has been granted to the State Water Board. As of June 30, 2008, \$1,900 million, or 98% of the total federal awards, has been transferred to the State Water Board through the ASAP system (Note 6, Page 13, of Exhibit A).

State Water Board staff also developed reports in LGTS that track whether applicants are requesting disbursement in a timely manner. Applicants are given appropriate reminders if they appear to be falling behind with their projected disbursements.

4. First Use of Funds for Enforceable Requirements

California met the first-use requirement by providing financial assistance to those projects on its National Municipal Policy (NMP) list that do not meet any of the criteria under part III.B.5. (pp 11-12 of US EPA's "Initial Guidance for State Revolving Funds"). The state ensured that all listed projects are on enforceable schedules. California's program has now been expanded to other water quality needs.

5. Eligible Activities

California requires each applicant to submit a detailed application to ensure that US EPA's eligibility requirements are followed. All activities financed were eligible under Section 212, Section 319, or Section 320 of the CWA.

6. Minority Business Enterprise/Woman Business Enterprise (MBE/WBE) Objective

The State Water Board negotiated a total fair share MBE/WBE objective with US EPA beginning FFY 2007 for the CWSRF Program. This objective was 24.0 percent for MBE and 6.0 percent for WBE participation for a combined 30.0 percent goal.

The State Water Board will continue to monitor participation to assure that the positive effort process is enforced by all local agencies. Exhibit C provides a detailed analysis of MBE/WBE participation from July 1, 2007 to June 30, 2008.

7. Administration of the CWSRF

The federal funding allowable for administration of the program is four percent of the total capitalization grants awarded. Total capitalization funds granted to date amount to \$1,931,498,585. The administration costs (administrative expenses) incurred during SFY 2007/2008 were \$4,542,000, which includes Personnel Services of \$2,663,000, Operating Expenses of \$1,858,000, and a Bond Fee of \$21,000 (Page 2 of Exhibit A (Basic Financial Statements)).

The cumulative total for administration cost is \$73,535,583. Therefore, 3.81 percent of the capitalization grants awarded to date have been incurred in administering the program leaving a balance of \$3,724,360. The administrative expenses for SFY 1999/2000 through SFY 2007/08 are shown in Table 2 below.

FFY Grant Year	Capitalization Grant Amount	4% Admin. Allowance	Actual Admin. Costs	Difference between Allowance and Expenses	Admin. Surplus	Cumulative Grant Amount including in kind	Cumulative Admin. Costs	Percent of Grant
2000	\$ 95,987,727	\$ 3,839,509	\$ 4,099,786	\$ (260,277)	\$ 10,259,772	\$ 1,329,586,055	\$ 42,923,670	3.23%
2001	\$ 95,134,446	\$ 3,805,378	\$ 4,851,968	\$ (1,046,590)	\$ 9,213,182	\$ 1,424,720,501	\$ 47,775,638	3.35%
2002	\$ 95,346,405	\$ 3,813,856	\$ 5,251,394	\$ (1,437,538)	\$ 7,775,644	\$ 1,520,066,906	\$ 53,027,032	3.49%
2003	\$ 94,726,665	\$ 3,789,067	\$ 4,168,440	\$ (379,373)	\$ 7,396,271	\$ 1,614,793,571	\$ 57,195,472	3.54%
2004	\$ 94,783,887	\$ 3,791,355	\$ 4,274,162	\$ (482,807)	\$ 6,913,464	\$ 1,709,577,458	\$ 61,469,634	3.60%
2005	\$ 82,745,541	\$ 3,309,822	\$ 4,102,135	\$ (792,313)	\$ 6,121,151	\$ 1,792,322,999	\$ 65,571,769	3.66%
2006	\$ 46,383,876	\$ 1,855,355	\$ 3,422,947	\$ (1,567,592)	\$ 4,553,559	\$ 1,838,706,875	\$ 68,994,716	3.75%
2007	\$ 92,791,710	\$ 3,711,668	\$ 4,540,867*	\$ (829,199)	\$ 3,724,360	\$ 1,931,498,585	\$ 73,535,583	3.81%

*Difference is due to rounding to the thousandths done in financials.

IV. ENVIRONMENTAL BENEFITS

The contributions of the CWSRF to water quality are diverse and hard to quantify. This is not a weakness of the program, but instead indicates its strength and versatility in addressing a wide range of water quality issues. The data and graphics below summarize the environmental benefits derived from the CWSRF projects funded during SFY 2007/2008. The data supporting this summary has been transmitted to US EPA via the CWSRF Benefits Database. The data indicate that the CWSRF protected or restored a wide range of beneficial water uses.

A. Projects in 2007/2008 Will Help Achieve and Maintain CWA Goals

- Funded projects will treat approximately 318 million gallons per day (mgd) of wastewater.
- Funded projects will serve 4.3 million people statewide.
- Recipients received more than \$57 million in CWSRF interest rate subsidy (the interest rate subsidy is the amount of funds saved by recipients due to the reduced interest rate on CWSRF financing).

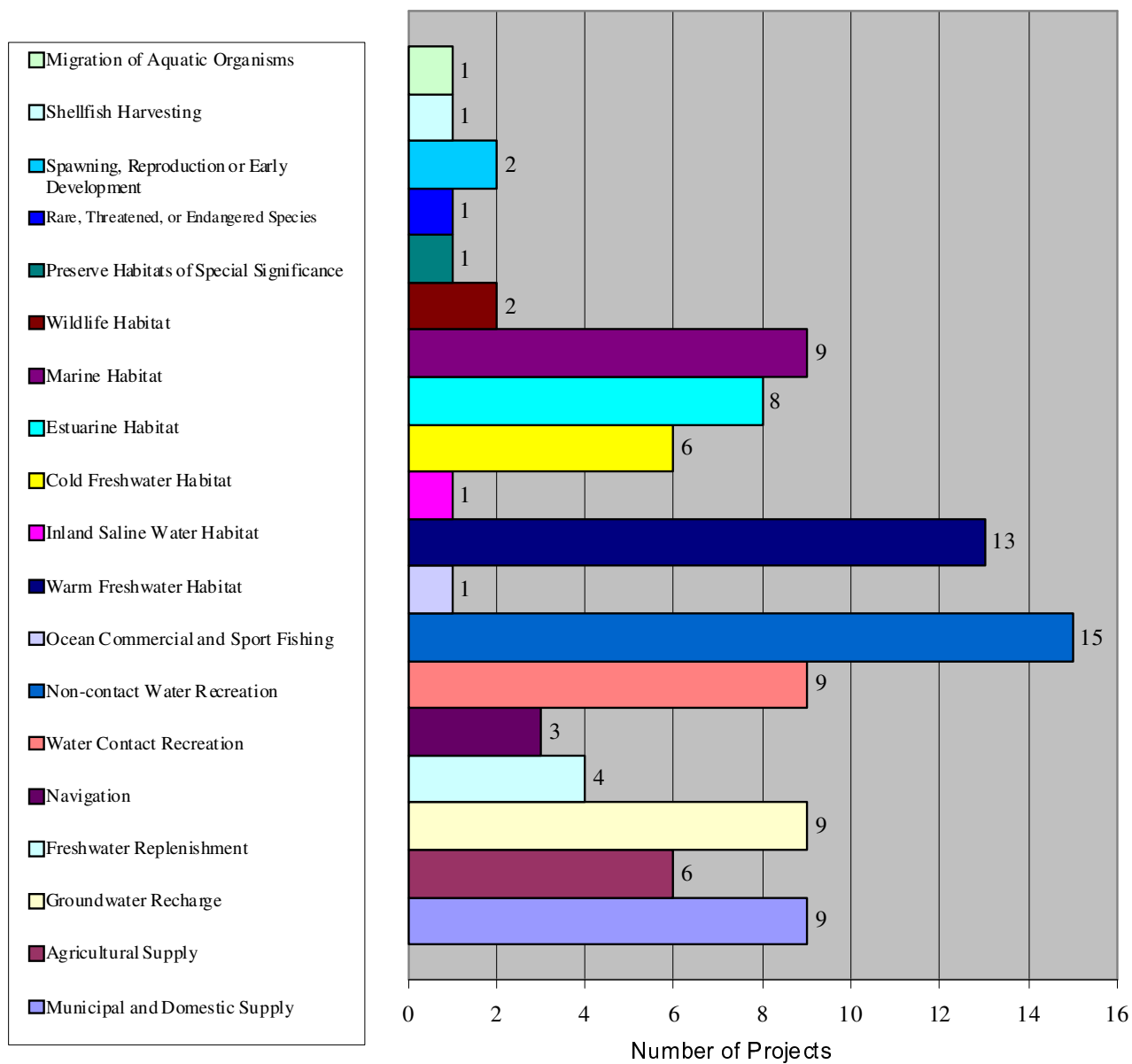
B. CWSRF Projects Achieve Multiple Benefits

Each CWSRF project quantifiably benefits water quality in more than one way. Each project was evaluated to determine how it benefits water quality. The funding provided for each water quality area in SFY 2007/2008 is shown below.

- Improve water quality: \$304.6 million
- Recycle wastewater: \$118.4 million
- Protect groundwater: \$53.9 million
- Protect municipal and domestic supply: \$82.1 million
- Achieve compliance: \$230 million
- Protect and restore drinking water sources: \$67.3 million
- Protect and restore cold freshwater, estuarine and wildlife habitat: \$191 million

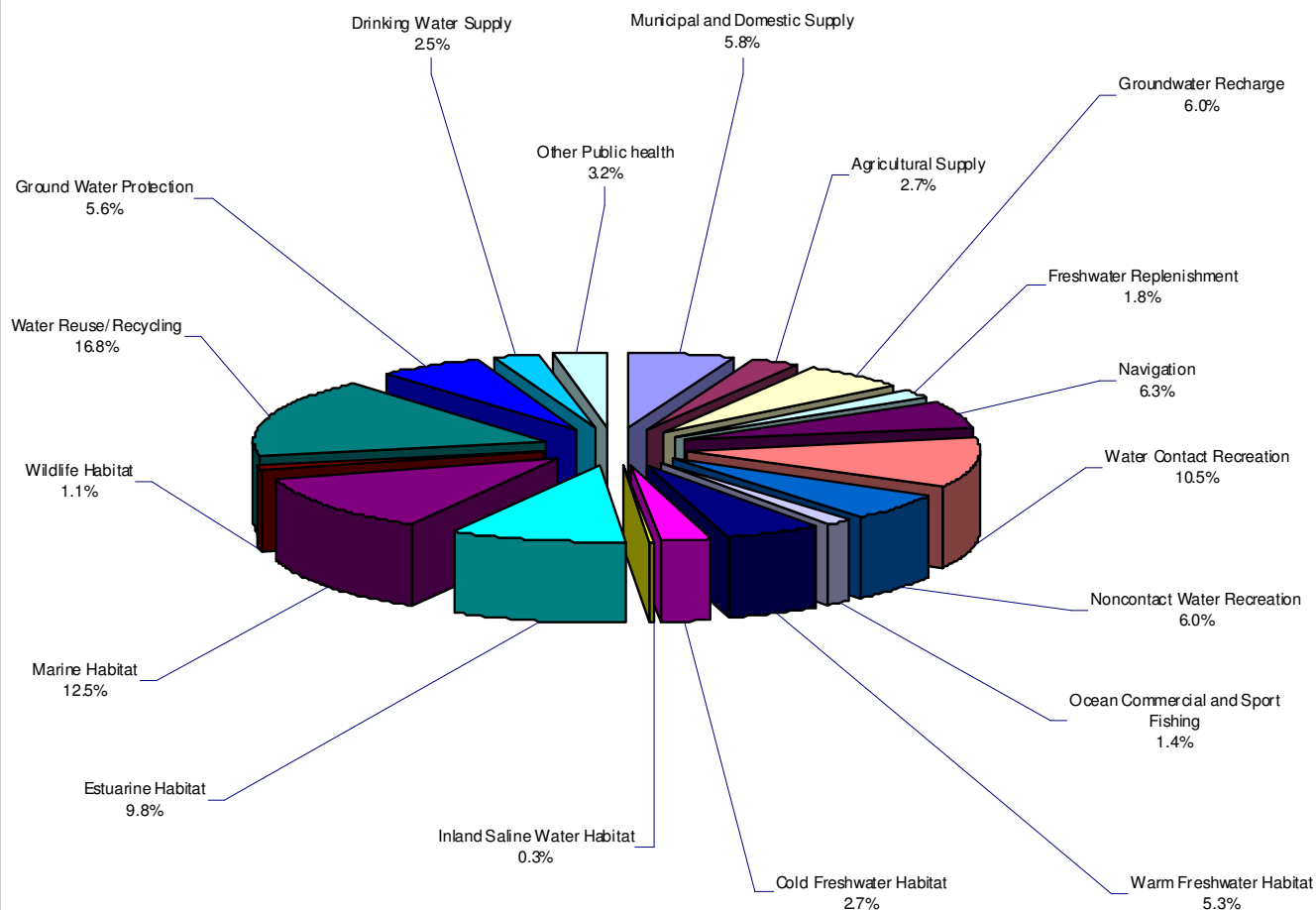
Figure 3 (below) provides a different view of the benefits provided by the CWSRF projects funded in SFY 2007/2008. Figure 3 shows how many projects addressed designated beneficial uses identified in state water quality control plans.

Figure 3: Number of Projects Addressing Different Beneficial Uses

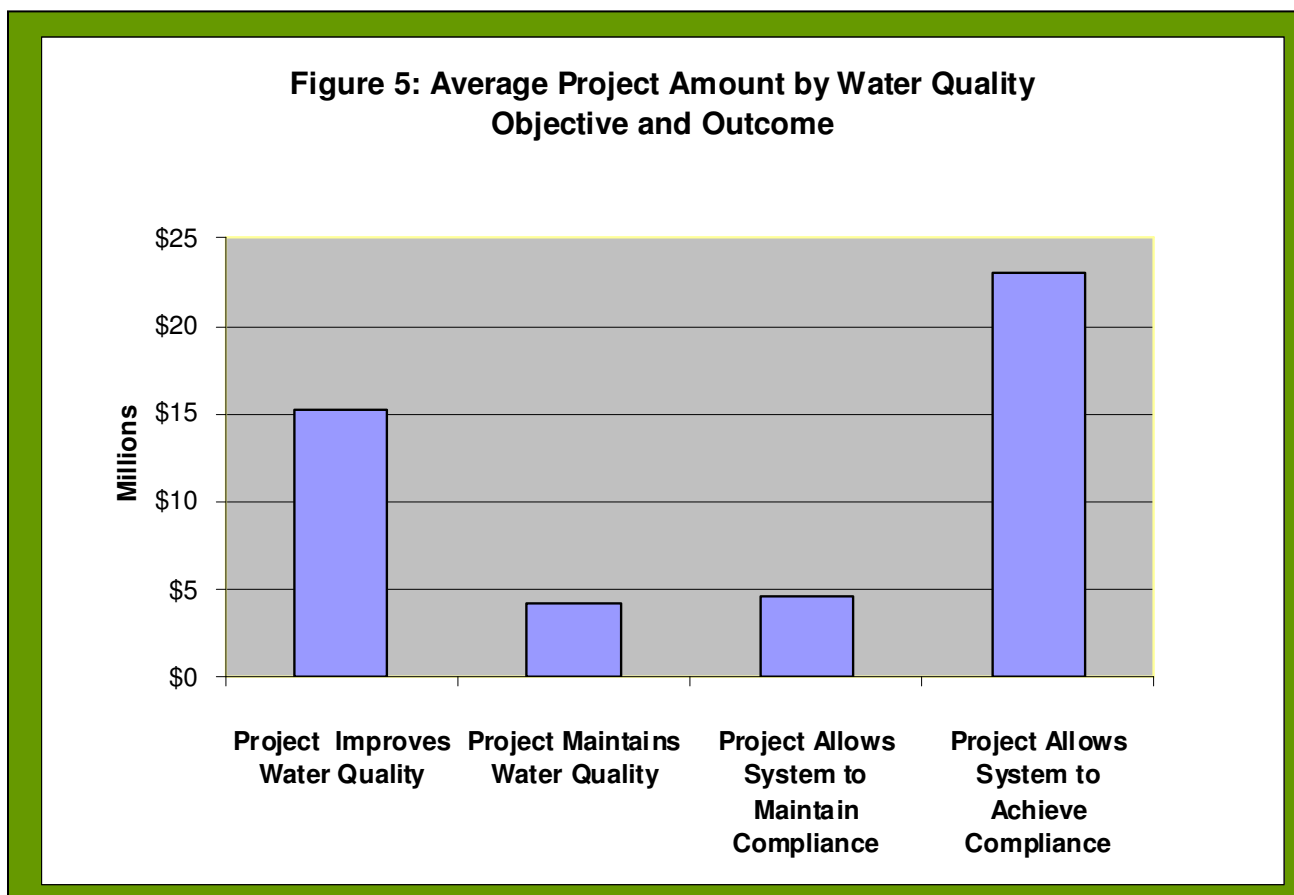


Another way to display the large breadth of environmental benefits from CWSRF projects is shown in Figure 4 (below). Here the percentages of funding supporting the different designated beneficial uses and other water quality benefits are shown in comparison to each other. As can be seen, the CWSRF in SFY 2007/2008 contributed broadly to support and protect many different environmental benefits.

Figure 4: Percentage of Funding Supporting all Uses and Benefits



Many of the water quality projects undertaken today are expensive and large in scale. This reflects the level needed to continue to improve water quality. Figure 5 (below) shows the average project cost for different project types. The ability of the CWSRF to fund such large projects is one of its greatest strengths. Many agencies would not be able to secure such large funding levels from one provider if the CWSRF was not available.



C. HIGHLIGHTS OF PROJECTS FUNDED BY CWSRF IN SFY 2007/08

City of Colusa received \$15,500,000 to upgrade the existing Wastewater Treatment Plant (WWTP) from secondary to tertiary treatment standards to address Cease and Desist Order No. R5-2002-0021 and Time Schedule Order No. R5-2007-0074. The WWTP effluent is discharged to an unnamed tributary to Powell Slough, a tributary to the Colusa Basin Drain. The beneficial uses include agricultural supply, recreation, and freshwater habitat.

City of Alturas received a \$1,600,000 loan and a \$2,000,000 Small Community Grant to upgrade the existing wastewater treatment plant. The improvements address Cease and Desist Order (R5-2003-0128) by eliminating future violations of total coliform, total suspended solids, and chlorine residual for discharges into the Pit River.

East Bay Municipal Utility District received \$20,100,000 to provide 1.9 million gallons per day (MGD) of recycled water to users in the cities of Albany, Berkeley, Emeryville, Oakland, and Alameda. This recycled water supply will replace potable water currently being used for irrigation and industrial uses, contribute to overall water conservation, and reduce the need to develop future potable water treatment facilities.

City of Fontana received \$9,929,135 to construct a gravity sewer along San Bernardino Avenue, delivering sewage to a new pump station. The project is needed to improve the sewer system by preventing leaks and overflows.

City of Palo Alto received \$9,000,000 to provide approximately 1.9 MGD of recycled water to customers within its project service area. Converting these customers to recycled water will augment the State water supply.

Vallejo Sanitation and Flood Control

District received \$4,406,072 to improve the south interceptor located upstream of the WWTP in the District's collection system. Conveyance improvements at this location will significantly decrease sewage overflows.

Chico Urban Area Joint Powers Financing Authority

received \$38,000,000 to construct sewer collection lines for 5,634 dwelling units to the wastewater treatment plant in the City of Chico. This will allow these homes to decommission their septic systems and cease polluting local groundwater.

City of Redding received \$4,966,936 to upgrade and expand treatment capacity for the existing WWTP. This is the initial phase of a project that will expand the average dry weather influent flow treatment capacity to 9.4 MGD and peak wet weather flows to 60 MGD. The plant effluent will continue to be discharged to the Sacramento River. Benefits include coldwater habitat for mitigating fish, wildlife habitat, and municipal/domestic water supplies downstream.

Tahoe City Public Utility District received \$2,973,071 for a new sewer pump station adjacent to Lake Tahoe. Construction of this project will significantly reduce the risk of major sewage overflows into Lake Tahoe by increasing emergency storage capacity and allowing better access for emergency response.



City of Palo Alto, Recycled Water Pipeline Project

City of Colfax (City) received \$9,300,000 to construct a new package tertiary treatment plant that will effectively stop violations of the City's Cease and Desist Order and Waste Discharge Requirements Order. The overall benefit of the project will be improvements to water quality of Smuthers Ravine and to Bunch Creek.



City of Colfax, WWTP Improvement Project

Los Angeles County Sanitation Districts received \$41,054,842 to remove total inorganic nitrogen (TIN), trihalomethanes (THMs), and ammonia to meet the existing limits in the Waste Discharge Requirements. Construction will include Nitrification-DeNitrification (NDN) facilities at the Districts' five Water Reclamation Plants at Pomona, Los Coyotes, Long Beach, Whittier Narrows, and San Jose Creek. The projects constructed will meet the Waste Discharge Requirements and provide for reduction of ammonia, nitrogen, and THM discharges.

City of La Mesa received \$3,190,413 to replace existing sewer pipelines which cause sanitary sewer overflows and increased discharge to the Point Loma WWTP.

City of Reedley received \$26,964,921 to increase WWTP capacity and provide an effluent total nitrogen concentration less than 10 milligram per liter (mg/l). The proposed

project will assure a groundwater concentration for nitrate at less than 10 mg/l.

Novato Sanitary District received \$81,329,083 to upgrade and expand its Novato Treatment Plant to treat the combined flow of both its wastewater treatment plants. A new pump station at the Ignacio Treatment Plant will convey the flow from Ignacio to Novato for treatment.

Union Sanitary District received \$3,961,761 to rehabilitate 5,790 linear feet of sewer lines. The project will prevent sanitary sewer overflows.

Union Sanitation District received \$10,283,321 to replace all of the existing sewage pumps at the Newark Pump Station. Additionally, the pump station will be upgraded to meet the current seismic design codes. The Newark pump station is more than 26 years old and approaching the end of the design life.

City of South San Francisco received \$9,164,505 to rehabilitate and replace deteriorated portions of the sewer collection system in the west and central area of the City. Upon completion, the project will protect water quality in the San Francisco Bay during wet weather by eliminating overflows of sewage to San Francisco Bay.



City of South San Francisco WWTP



Crescent City WWTP Upgrade Project

City of Crescent City received \$43,814,175 to expand the WWTP's capacity. With the upgrade, the project will be discharging effluent with better water quality to the Pacific Ocean, in an area used for recreation and crab harvesting.

City of Chico received \$52,275,700 to update the City's Water Pollution Control Plant. The project will address future population growth and provide capacity for approximately 5,600 dwelling units in the Chico Urban Area that are part of the Nitrate Action Plan implemented by Chico Urban Area Joint Powers Financing Authority.

City of St. Helena received \$9,100,000 to implement an alternative to traditional flood protection which includes water quality and estuary enhancement benefits.

Inland Empire Utilities Agency received \$9,744,772 to provide recycled water to customers within the Agency's service area and provide storage capacity in the regional recycled water distribution system. The project will augment the State water supply.

Nevada County Sanitation District No. 1 – Cascade Shores received \$339,165 to construct new headworks, an equalization tank, parshall flume, and a new moving bed bioreactor treatment system, followed by a Dissolved Air Flotation Unit and ultrafiltration. The project will achieve full compliance with effluent limitations of the Regional Water Board Order and Permit including improvement to effluent monitoring and upgrades of the WWTP to full tertiary treatment and nitrification /denitrification.



Inland Empire, Phase III Recycled Water System

V. PROGRAM CHANGES

LGTS allows the CWSRF program to efficiently track program and financial information. LGTS allows program staff to enter information about individual projects, and aggregate the data into program-wide reports for management and stakeholders. In SFY 2007/2008:

1. The State Water Board and Northbridge continued to enhance the system's functionality. Modifications were made to LGTS to better describe and track the CWSRF business requirements.
2. EBET, a module in LGTS, was successfully completed in January 2008. Since then, Project Managers have been recording the environmental benefits of CWSRF projects. In June and July 2008, CWSRF staff transmitted data collected in EBET to the CWSRF Benefits Reporting database. CWSRF Project Managers continue to use EBET without issue.
3. During SFY 2006-07, Northbridge created an automated data reporting module to report NIMS data. This fiscal year, LGTS successfully reported data to NIMS without significant data discrepancies. CWSRF staff continues to use the NIMS reporting module without significant issues.
4. In the last quarter of SFY 2007-08, CWSRF staff began a major effort to eliminate external tracking methods. At the end of SFY 2007-08, all external tracking methods were consolidated into LGTS, except for one external database. By the first quarter of SFY 2008-09, staff expects all external tracking methods for CWSRF to be consolidated into LGTS.
5. Also in the last quarter of SFY 2007-08, LGTS programming was completed to allow the CWSRF program to apply and track the service charge, consistent with AB 1742.

In September 2007, the State Water Board adopted the CWSRF Program Priority List and renewed the annual funding cap of \$50 million. Additionally, the State Water Board renewed the DFA Deputy Director's authority to disburse funds in excess of the funding cap so long as it does not unduly limit other applicants' ability to receive funding during the SFY.

In September 2007 and May 2008, DFA added new administrative positions. These positions were created to provide services for three programs, CWSRF, Water Recycling, and Small Community Grants. These positions will focus on and coordinate the administrative aspects of the program and provide enhanced Marketing and Outreach assistance.

In October 2007, AB 1742 was chaptered and signed into law. The bill authorizes the State Water Board to assess an annual charge for loan services on a loan made under the CWSRF program, which provides an alternative source for administration of the program. The State Water Board set the administrative service charge for SFY 2007/08 on CWSRF loans to one percent of the outstanding balance.

In December 2007, DFA created a CWSRF Stakeholder Advisory Workgroup. This workgroup advises the CWSRF program staff on operational improvements or changes to the program; provides advice on financial forecasting, business development, and marketing; advises program staff on development of regulations; and helps program staff in setting funding priorities. Four meetings have been held with the CWSRF staff and the workgroup.

In January 2008, The State Water Board worked with US EPA and Northbridge to conduct a strategic review of the CWSRF program. Northbridge staff developed an online survey of communities to understand their perceptions of the CWSRF program, and interviewed staff in the State and Regional Water Boards, as well as the Infrastructure Bank to better understand processes and procedures, and gather thoughts on potential opportunities.

In June 2008, Northbridge completed the *CWSRF Strategic Management Review*. The report included CWSRF program issues and recommendations for improvement. The State Water Board submitted a schedule and implementation plan to US EPA on the "Summary of Issues and Recommendations, by Priority" from Northbridge's report.

In January 2008, a CWSRF program marketing brochure and handout was developed and distributed to interested parties, funding fair participants, and Regional Water Boards' staff.

In May 2008, CWSRF program staff conducted workshops at each Regional Water Board to discuss each region's water quality priorities and provided program information, brochures, and materials to assist in outreach activities. The workshops were effective. CWSRF program staff is establishing relationships with the Regional Water Boards' staff to increase outreach strategies and develop a pipeline of projects.



City of Davis, Wetland Project and Pollution Load Reduction Program

VI. PROPOSED IMPROVEMENTS OR FUTURE CHANGES

A number of strategic and procedural efforts or changes will strengthen and improve the CWSRF program's management and make the program more affordable or accessible to applicants in the future.

DFA prepared a Performance Plan for SFY 2007/2008. The plan identifies key projects and measurements that ensure the CWSRF in California is effective and supports the State Water Board's overall Mission and Vision. The Performance Plan format was used for the SFY 2008/2009 Intended Use Plan (IUP), and is the template for future IUPs.

On July 15, 2008, the State Water Board authorized the Executive Director to request approval from US EPA of extended term financing (ETF) for disadvantaged communities. An application was submitted to US EPA on August 13, 2008, to offer ETF to disadvantaged communities through the CWSRF program. By improving affordability, ETF will increase and accelerate the number of projects completed by disadvantaged communities. This will directly benefit water quality.

In September 2008, AB 2356 was signed into law. It requires the State Water Board to take several actions to assist small, disadvantaged communities. This includes disbursing up to 25 percent of the financial assistance agreement, not exceeding \$1 million, in advance of actual expenditures, establishing an expedited disbursement process, and using wire transfers or other appropriate procedures to expedite disbursement. AB 2356 allows the State Water Board to convert up to \$50 million in interest into a fee to be used for grants for small, disadvantaged communities.

In June 2008, DFA requested US EPA to redirect \$95,800 in CWSRF grant funds to US EPA's contractor, Northbridge. The contract funds will help DFA develop additional financial expertise. DFA staff will work with Northbridge to organize, expand, and hone the financial management skills of DFA staff. DFA staff is also developing a request for proposal to hire a Financial Advisor. A Financial Advisor will give DFA access to additional financial expertise, and will help DFA develop a debt management policy for the CWSRF.

Although LGTS accurately and efficiently tracks the business requirements of the CWSRF program, there are areas of possible improvement. Staff is working on a Feasibility Study Report (FSR) to upgrade LGTS track to other funding programs in DFA, provide Web access to the system, and share data with other databases within the State Water Board. Many of the proposed changes, listed below, can synergistically benefit the CWSRF program.

1. By incorporating other funding programs into LGTS, a project with multiple funding sources can accurately be tracked by LGTS. Project Managers will enter data into one database, only once, and LGTS will use that information to report on different funding programs. This modification to LGTS will protect data quality and save staff time.

2. The State Water Board will develop a web based front end client for LGTS. LGTS uses a Microsoft Access database on each user's computer. When new versions of LGTS are issued, a user must manually relink the database to the remote server. Once a web based front end client is developed for LGTS, a user will be able to use a web browser to access LGTS. A user will no longer need to manually relink LGTS to the remote server when a new version of LGTS is issued. In the short term, user functionality will increase because users will always have access to the latest version of LGTS. In the long term, users outside the State Water Board will be able to use LGTS, enhancing public communication efforts and increasing CWSRF's transparency.
3. The CWSRF program has executed over 380 financing agreements since the program started almost 20 years ago. To showcase funded projects and allow applicants access to information on their projects, LGTS will develop a public reporting tool. This will allow the public to see CWSRF projects in relation to other Water Board activities or track the status of current applications.

The *Policy for Implementing the CWSRF for Wastewater Treatment Facilities* (Policy) was amended on September 16, 2008. Several changes were made to increase the security of financial agreements. The amended Policy now requires that a formal credit review be done of each applicant. The State Water Board contracted with California Municipal Securities, Inc. (Calmuni) to analyze each applicant's capacity to incur and repay the proposed debt. Calmuni will also determine whether the applicant meets the criteria for a disadvantaged community. In addition, the amended Policy now requires applicants to approve any necessary wastewater service rate increases, consistent with Proposition 218 rate setting requirements, before the CWSRF will execute the financing agreement for a project.

The amended Policy also introduced a two-tiered environmental review process consistent with the Operating Agreement between the State Water Board and US EPA. DFA staff will evaluate each project's environmental impacts. If a project appears to have federal environmental impacts, information will still be distributed to the federal environmental agencies for review and concurrence like it has been in the past. If a project does not have federal environmental impacts, DFA will only perform a California Environmental Quality Act (CEQA) analysis; the project will not be distributed to the federal environmental agencies for review and concurrence. This should speed up funding approvals for a significant number of projects. DFA staff will also develop training for applicants and their consultants on the CWSRF's environmental review process.

DFA staff is developing CWSRF Regulations to replace the current CWSRF Policies. The Regulations will provide a sound framework for the program consistent with state rulemaking laws. The major aim of the Regulations will be to streamline and improve the application process, revamp the priority setting and project selection process, implement reduced interest rates authorized by AB 1742, and ensure that the program support the State Water Board's policies and priorities.

The additional staff added for marketing and outreach in September 2007 and May 2008, will continue their marketing and assistance efforts. One of their key goals for SFY 2008/2009 will be to enhance the CWSRF Web site so that it quickly and easily provides pertinent information. DFA staff is also developing a request for proposals with community assistance organizations, such as, Rural Community Assistance Corporation, Self-Help Enterprises, and California Rural Water, to provide technical assistance to small and disadvantaged communities.



Sierra Foothills Conservancy, Sonny Meadows Mitigation Bank Project

VII. EXHIBITS

- Exhibit A – Audited Financial Statements and Notes
- Exhibit B – Projects Approval Status Report
- Exhibit C – MBE/WBE Report for State Fiscal Year 2007/2008
- Exhibit D – 2007/2008 Projects Funded by Needs Category
- Exhibit E – 2007/2008 Non-Funded Projects

Exhibit A – Audited Financial Statements and Notes

**CALIFORNIA STATE WATER RESOURCES
CONTROL BOARD WATER POLLUTION
CONTROL REVOLVING FUND
Sacramento, California**

**FINANCIAL STATEMENTS and REPORTS REQUIRED
BY THE SINGLE AUDIT ACT AMENDMENTS OF 1996**

June 30, 2008 and 2007

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Independent Auditor's Report

California State Water Resources Control Board
Water Pollution Control Revolving Fund
Sacramento, California

We have audited the accompanying basic financial statements of California State Water Resources Control Board, Water Pollution Control Revolving Fund, an enterprise fund of the State of California, as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of California State Water Resources Control Board, Water Pollution Control Revolving Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 - Definition of Reporting Entity, the basic financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting entity of the California State Water Resources Control Board that is attributable to the transactions of the California State Water Resources Control Board, Water Pollution Control Revolving Fund. They do not purport to, and do not, present fairly, the financial position of the California State Water Resources Control Board or the State of California as of June 30, 2008 and 2007, and the changes in their financial position and their cash flows, where applicable, for the years then ended, in conformity with the accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California State Water Resources Control Board, Water Pollution Control Revolving Fund as of June 30, 2008 and 2007, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2008 on our consideration of California State Water Resources Control Board, Water Pollution Control Revolving Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages III through IX is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the California Water Resources Control Board, Water Pollution Control Revolving Fund's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Clifton Henderson LLP

Greenwood Village, Colorado
September 30, 2008

**California State Water Resources Control Board
Water Pollution Control Revolving Fund
State Revolving Fund Program**

Management's Discussion & Analysis

The following Management's Discussion and Analysis is a required supplement to the California State Water Resources Control Board's (State Water Board), Water Pollution Control Revolving Fund (Clean Water State Revolving Fund program) (CWSRF) financial statements. It describes and analyzes the financial position of the CWSRF providing an overview of the CWSRF's activities for the years ended June 30, 2008 and 2007. We encourage readers to consider the information presented here in conjunction with information that is in the financial statements and notes, which follow this section.

Financial Highlights

- In 2008, net assets increased by \$247 million to a total of \$2.8 billion as compared to an increase of \$249 million in 2007. The \$247 million increase in net assets is due primarily to an increase in loan receivables, which is a direct result of capital contributions during the year.
- Total capital contributions increased \$6 million to \$189 million as compared to \$183 million in 2007. Although EPA capitalization grant contributions in 2008 were \$51 million less than in 2007, this was offset by an additional \$57 million in 2008 compared to 2007 of State match revenue contributions from Proposition 84, the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006.
- Restricted portion of net assets decreased by \$53 million to \$538 million in 2008 as compared to a decrease of \$76 million in 2007. This was due to decreases in notes receivable for loans pledged to the Series 2002 Revenue Bonds as a result of repayments received during 2007 and 2008 and the related debt service payments made on the Series 2002 Revenue bonds.
- Cash and cash equivalents decreased by \$80 million in 2008. This reflects the program's efforts during the year to insure that financing recipients are up-to-date on their scheduled disbursements.
- Total restricted cash and cash equivalents increased by \$2 million to \$42 million in 2008 which was primarily the result of an increase in the repayment of pledged loans. In 2007, there was a decrease of \$36 million which was a direct result of the repayment of pledged loans and the disbursement of unspent revenue bond proceeds.
- Notes receivable increased by \$306 million to \$2.64 billion in 2008 as compared to an increase of \$209 million in 2007. Notes receivable increases when loan funds are disbursed and decreases when loan principal payments are received. The increase in 2008 is the result of the higher disbursement of State Match funds, EPA capitalization grant funds, and cash and cash equivalents as compared to 2007.
- Legislation effective January 1, 2008 allowed the CWSRF to collect a service charge on loans which will be used for administrative costs. The effect of this service charge on the CWSRF was a reduction of interest revenue earned by the program. The loss of interest revenue from the service charge will be at least partially offset by future EPA capitalization grant contributions. EPA allows up to four percent of capitalization grants for administration expenses. As revenue from the service charge increases, the remaining EPA administration allowance will be used for financial assistance.

Using this Annual Financial Report

The financial statements included in this annual financial report are those of the CWSRF. As discussed in Note 1, Definition of Reporting Entity, the basic financial statements of the CWSRF are intended to present the financial position, changes in financial position and cash flows of only that portion of the financial reporting entity of the State Water Board that is attributable to the transactions of the CWSRF. They do not purport to present the financial position of the State Water Board or the State of California (State) as of June 30, 2008 and 2007 and the change in their financial positions and their cash flows for the years then ended.

Overview of Financial Statements

This discussion and analysis is an introduction to the CWSRF financial statements and accompanying notes to financial statements. This report also contains required supplementary information and other supplementary information.

The financial statements of the CWSRF are presented as a special purpose government engaged only in business type activities - providing loans to other governmental entities. The statements provide both short-term and long-term information about the CWSRF's financial position, which assists the reader in assessing the CWSRF's economic condition at the end of the fiscal year. These statements are prepared using the accrual basis of accounting. The financial statements include the following three statements:

- The *Statements of Net Assets* present information on all of the CWSRF's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets are expected to serve as a useful indicator of whether the financial position of the CWSRF is improving or deteriorating.
- The *Statements of Revenues, Expenses, and Changes in Net Assets* present information which reflects how the CWSRF's net assets changed during the past year. All changes in the net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.
- The *Statements of Cash Flows* report the CWSRF's cash flows from operating activities, non-capital financing activities, and investing activities.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes can be found immediately following the financial statements.

Net Assets

The CWSRF's net assets increased by \$247 million, or 9.7%, to \$2.79 billion at June 30, 2008, as compared to an increase of \$249 million, or 10.8%, the previous year indicating a continued strong financial position. The \$247 million increase in net assets is due primarily to an increase in loan receivables.

The current portion of the CWSRF's liabilities was \$28 million in 2008 and \$27.8 million in 2007. Current liabilities primarily reflect continuing principal payments for the Series 2002 Revenue Bonds. Noncurrent liabilities reflect decreases of \$24.1 million in 2008 and \$24.8 million in 2007, which corresponds to those same bond principal payments.

A segment of the CWSRF's net assets are subject to external restriction on how they may be used. The amounts of net assets that are restricted have decreased in 2008 by \$53.5 million to \$538 million, or 9.0%, as compared to a decrease in 2007 of \$76 million to \$591 million, or 11.4%.

Of the total restricted net assets, \$512 million in 2008 and \$568 million in 2007 represent the balance of outstanding loans that were pledged as security to Series 2002 Revenue Bonds debt service. The principal and interest received during the fiscal year from these loans is used to make the semi-annual debt service payments on the revenue bonds. The restricted portion of net assets will continue to decline as the pledged loans are repaid, and the corresponding debt service payments are made on the Series 2002 Revenue Bonds. In 2008, the CWSRF received a total of \$72.2 million (\$56.4 of principal and \$15.8 million of interest) on these loans; the debt service payment was \$33.4 million (\$23.6 million of principal and \$9.8 million of interest). In 2007, the CWSRF received a total of \$77.1 million (\$59.2 million of principal and \$17.9 million of interest); the debt service payment was \$33.4 million (\$22.9 million of principal and \$10.5 million of interest).

The remaining \$26 million of restricted net assets in 2008 and \$23 million in 2007 represent pledged loan repayments, which are restricted for future debt service payments. Any excess of principal and interest received over the required debt service will be released from restriction as debt service payments are issued.

Table 1

Net Assets

(in thousands)

		June 30,	
	2008	2007	2006
ASSETS			
Cash and cash equivalents	\$ 340,994	\$ 418,538	\$ 404,883
Loans receivable	2,635,563	2,329,330	2,120,398
All other assets	34,202	39,319	37,652
Total assets	3,010,759	2,787,187	2,562,933
LIABILITIES			
Current liabilities	28,030	27,800	27,573
Noncurrent liabilities	191,657	215,727	240,551
Total liabilities	219,687	243,527	268,124
NET ASSETS			
Restricted			
Debt service	26,000	23,076	39,978
Security for revenue bonds	511,710	568,138	627,303
Subtotal restricted assets	537,710	591,214	667,281
Unrestricted	2,253,362	1,952,446	1,627,528
Total net assets	\$ 2,791,072	\$ 2,543,660	\$ 2,294,809

Changes in Net Assets

CWSRF's 2008 program revenue was \$54.4 million of which \$15 million is restricted for debt service. Program revenue decreased by \$0.6 million, or 1%, when compared to 2007 primarily due to the new CWSRF Service Charge. In 2007, CWSRF's program revenue was \$55 million, an increase of \$4.7 million, or 9.2%, of which \$17 million was restricted for debt service. The 2007 increase was primarily due to an increase in loan interest revenue which is a result of an increase in loan repayments.

In 2008, general revenue was \$17 million, which was a decrease of \$6.5 million, or 28%, when compared to 2007. General revenue increased \$9 million, or 64%, to \$23.5 million in 2007, when compared to 2006. The decrease in investment income during 2008 was the result of lower interest rate returns in the Surplus Money Investment Fund (SMIF) and less cash on hand compared to 2007. The increase from 2006 to 2007 was the product of various factors such as changes in the SMIF interest rate from year to year, and interest earned from the restricted portion of the Series 2002 revenue bonds and undistributed loan repayments.

Total expenses increased \$0.3 million in 2008 and decreased \$7.7 million in 2007. The increase in 2008 was primarily due to additional administrative expenses and the decrease in 2007 was because the allowance for bad debt was not increased.

The total capital contributions to the CWSRF increased by \$6 million, or 3%, in 2008 when compared to 2007. The 2008 increase was primarily due to the additional State Match Funding provided by Proposition 84 along with the continued utilization of the U.S. Environmental Protection Agency (EPA) capitalization grants. Total capital contributions in 2007 increased by \$126 million or 221% when compared to 2006. This increase was primarily due to an increased utilization of U.S. Environmental Protection Agency (EPA) capitalization grants. The CWSRF program receives federal capital contributions from EPA to fund loans, and the State is required to match 20 % of this contribution. The state match contribution increased from \$4 million in 2007 to \$61 million in 2008 because of the Proposition 84 funding received for state match. State match funding decreased by \$6 million in 2006 to \$4 million in 2007. During 2007 the State used surplus state match provided by loan recipients, and drew 100% federal contributions from EPA. The Local Match Program requires that the local agency provide the State's matching funds. The Local Match Program is offered to federally funded and non-federally funded projects. Over the years, the local entities have provided more match than required, leading to a surplus condition.

During 2008, administrative expenses increased \$1.1 million to \$4.5 million compared to a decrease of \$0.6 million in 2007. As a result of legislation effective January 1, 2008, the CWSRF charged a service fee for administrative costs. In the past, the CWSRF relied solely on the four percent administrative allowance from EPA capitalization grants to fund program administration. During 2007, administration expenses were charged to other CWSRF related funds to preserve the EPA allowance until legislation was passed.

Table 2**Changes in Net Assets
(in thousands)**

	Year Ended June 30,		
	2008	2007	2006
Revenues			
Program revenues:			
Loan interest income	\$ 54,474	\$ 55,045	\$ 50,390
General revenues:			
Investment income	16,930	23,519	14,350
Total revenues	71,404	78,564	64,740
Expenses			
Program expenses:			
Administrative expenses	4,542	3,423	4,022
Bad debt allowance expense	-	-	6,486
Revenue bond interest expense	8,422	9,178	9,812
Amortization of revenue bond issuance costs	92	101	107
Total expenses	13,056	12,702	20,427
Increase in net assets before contributions	58,348	65,862	44,313
Capital contributions:			
EPA capitalization grant	127,774	179,018	43,910
State and other contributions	61,290	3,971	13,032
Subtotal capital contributions	189,064	182,989	56,942
Change in net assets	247,412	248,851	101,255
Net assets - beginning of year	2,543,660	2,294,809	2,193,554
Net assets - end of year	\$ 2,791,072	\$ 2,543,660	\$ 2,294,809

Budgetary Information

Under the California constitution, money may only be drawn from the treasury by a legal appropriation. The State Legislature authorized the CWSRF to operate under a continuous appropriation. Continuous appropriation authority means that no further appropriations are necessary to expend all funds deposited into the CWSRF. This has the effect of allowing funds to be expended as soon as they are deposited into the CWSRF rather than waiting for appropriation authority. Since the funds in the CWSRF can only be used for limited purposes, the continuous appropriation authority allows for expeditious expenditure of funds and maximizes the benefits to local entities.

Debt Administration

The State Water Board administers a leveraged CWSRF program. The State Water Board maintains a high bond rating from Fitch (AAA), Moody's Investors Service (Aaa), and Standard and Poor's Ratings Services (AAA) on its Revenue Bonds, Series 2002. Outstanding bonds at June 30, 2008 total \$215 million, a decrease of \$25 million, compared to \$240 million last year as shown in Table 3. Continued decreases are due to amortization of the bond premium and the payment of the scheduled bond principal repayments. Those bonds were issued in August 2002 for the purpose of financing a portion of the CWSRF loans administered by the State Water Board by providing financial assistance to local governments for water pollution control projects. Proceeds from the bonds provide funding for the issuance of additional revolving fund loans by the CWSRF. Those revenue bonds are backed by a pledge of specific revenue for which the annual collections are generally predictable.

Additional information on the CWSRF long-term debt can be found in Note 5, Long-Term Debt.

Table 3

Outstanding Long-term Debt
(in thousands)

	<u>2008</u>	<u>June 30, 2007</u>	<u>2006</u>
Revenue bonds			
Bond principal	\$ 209,955	\$ 233,540	\$ 256,390
Bond premium	5,209	6,335	7,562
Total revenue bonds	<u><u>\$ 215,164</u></u>	<u><u>\$ 239,875</u></u>	<u><u>\$ 263,952</u></u>

Economic Conditions and Outlook

The CWSRF program activity remained stable, with revenues continuing to sufficiently support expenses. Some local entities have experienced declines in revenue due to the current economic downturn. Each CWSRF loan recipient must pledge one or more dedicated sources of revenue toward repayment of its CWSRF loan. These dedicated sources of revenue can be sewer rate revenue pledges, general tax pledges, or other contractual income. To ensure that timely repayment of all loans continue, the State Water Board changed its policy on September 16, 2008. Applicants are required to approve any increase in revenue necessary to its CWSRF financing agreement before entering into the contract.

The CWSRF financial statements for 2006 included an allowance for bad debt. This allowance recognized that a loan recipient has sought protection under the federal bankruptcy laws, but had not yet presented a plan to the federal bankruptcy court. The State Water Board is vigorously pursuing all legal means to recover the funds disbursed to this recipient and is exploring options to facilitate full recovery.

For the grant year 2008, the EPA allocated \$49 million to the State. The 2008 grant allocation decreased by \$43.8 million, or 47%, as compared to the 2007 grant allocation of \$92.8 million. The CWSRF applied for the 2008 capitalization grant on April 21, 2008. EPA has not awarded the grant as of the date of this report. EPA continues to indicate that grants will continue to decrease in the future and possibly be eliminated by 2011. The President's 2009 Budget Request to Congress if approved will give California a grant of about \$45 million, a decrease of approximately 8% from the 2008 level.

The State Water Board continues to market itself to stakeholders and the Regional Water Boards to ensure the best use of available assets. The State Water Board approved the sale of an additional \$300 million in revenue bonds at its September 22, 2005, meeting. The State Water Board staff continues to monitor demand for the CWSRF and work with its financial advisors on the need and timing of additional revenue bonds sales to meet new loan obligations.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the CWSRF finances. Questions concerning the information provided in this report or requests for additional information should be addressed to Mr. Jerrel Bolds, Manager, Accounting Branch, Division of Administrative Services, P.O. Box 100, Sacramento, California 95812 or jbolds@waterboards.ca.gov.

BASIC FINANCIAL STATEMENTS

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
STATEMENTS OF NET ASSETS
June 30, 2008 and 2007
(in thousands)

	<u>2008</u>	<u>2007</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 298,570	\$ 378,491
Cash and cash equivalents - Restricted	42,424	40,047
Receivables:		
Loan interest	28,946	29,262
Investment interest	2,669	6,491
Due from other funds and other governments	2,160	3,047
Loans receivable:		
Current portion	102,602	83,536
Current portion - Restricted	57,496	55,965
Unamortized revenue bond issuance costs	85	92
Total current assets	<u>534,952</u>	<u>596,931</u>
OTHER ASSETS		
Noncurrent unamortized revenue bond issuance costs	342	427
Loans receivable:		
Noncurrent (net of allowance for bad debt)	2,021,251	1,677,656
Noncurrent - Restricted	454,214	512,173
Total other assets	<u>2,475,807</u>	<u>2,190,256</u>
TOTAL ASSETS	<u>3,010,759</u>	<u>2,787,187</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Revenue bond interest payable	2,331	2,555
Deferred revenue	119	78
Due to other funds	1,614	456
Revenue bonds payable	23,966	24,711
Total current liabilities	<u>28,030</u>	<u>27,800</u>
NONCURRENT LIABILITIES		
Deferred revenue	459	563
Revenue bonds payable	191,198	215,164
Total noncurrent liabilities	<u>191,657</u>	<u>215,727</u>
Total liabilities	<u>219,687</u>	<u>243,527</u>
NET ASSETS		
Restricted for:		
Debt service	26,000	23,076
Security for revenue bonds	511,710	568,138
Unrestricted	2,253,362	1,952,446
Total net assets	<u>\$ 2,791,072</u>	<u>\$ 2,543,660</u>

The accompanying notes are an integral part of the financial statements.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2008 and 2007
(in thousands)

	<u>2008</u>	<u>2007</u>
OPERATING REVENUE		
Loan interest income	\$ 54,474	\$ 55,045
Total operating revenue	<u>54,474</u>	<u>55,045</u>
OPERATING EXPENSES		
Personnel services	2,663	1,918
Other expenses	1,858	1,469
Total operating expenses	<u>4,521</u>	<u>3,387</u>
INCOME FROM OPERATIONS	<u>49,953</u>	<u>51,658</u>
NONOPERATING REVENUE (EXPENSE)		
Net investment income	16,930	23,519
Revenue bond interest expense	(8,422)	(9,178)
Bond fees	(21)	(36)
Amortization of revenue bond issuance costs	(92)	(101)
Total nonoperating revenue (expense)	<u>8,395</u>	<u>14,204</u>
INCOME BEFORE CONTRIBUTIONS	<u>58,348</u>	<u>65,862</u>
CONTRIBUTIONS		
EPA capitalization grant	127,774	179,018
State match revenue	<u>61,290</u>	<u>3,971</u>
CHANGE IN NET ASSETS	247,412	248,851
NET ASSETS - BEGINNING OF YEAR	<u>2,543,660</u>	<u>2,294,809</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,791,072</u></u>	<u><u>\$ 2,543,660</u></u>

The accompanying notes are an integral part of the financial statements.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2008 and 2007
(in thousands)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from interest on loans	\$ 49,463	\$ 49,412
Loans disbursed	(441,208)	(337,829)
Principal received on loans receivable	140,239	133,361
Cash paid to employees and vendors	(3,362)	(3,562)
Cash flows (required) from operating activities	<u>(254,868)</u>	<u>(158,618)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Funds received from EPA capitalization grant	128,853	180,154
Funds received from the State of California	61,098	4,006
Bond fees paid	(21)	(36)
Principal paid on revenue bonds	(23,585)	(22,850)
Interest paid on revenue bonds	(9,773)	(10,589)
Cash flows provided by noncapital financing activities	<u>156,572</u>	<u>150,685</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment income received	<u>20,752</u>	<u>21,588</u>
Net cash provided by investing activities	<u>20,752</u>	<u>21,588</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(77,544)	13,655
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	418,538	404,883
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 340,994</u>	<u>\$ 418,538</u>
Reconciliation of operating income to net cash (required) by operating activities		
Income from operations	\$ 49,953	\$ 51,658
Adjustments to reconcile income from operations to net cash provided (required) by operating activities		
Construction period interest	(5,264)	(4,471)
Amortization of deferred revenue	(74)	(163)
Effect of changes in operating assets and liabilities:		
Loans receivable	(300,957)	(204,458)
Loan interest receivable	316	(1,008)
Due to other funds	1,158	(176)
Total adjustments	<u>(304,821)</u>	<u>(210,276)</u>
Net cash provided (required) by operating activities	<u>\$ (254,868)</u>	<u>\$ (158,618)</u>

The accompanying notes are an integral part of the financial statements.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY

The California State Water Resources Control Board, Water Pollution Control Revolving Fund (Fund) was established pursuant to Title VI of the Federal Clean Water Act of 1987 (Act). The Act established the State Revolving Fund (SRF) program to replace the construction grants program to provide loans at reduced interest rates to finance the construction of publicly owned water pollution control facilities, non-point source pollution control projects, and estuary management plans. Instead of making grants to communities that pay for a portion of building wastewater treatment facilities, the SRF provides for low interest loans to finance the entire cost of qualifying projects. The SRF provides a flexible financing source that can be used for a variety of pollution control projects, including non-point source pollution control projects, and developing estuary conservation and management plans. Loans made must be repaid within 20 years and all repayments, including interest and principal, must remain in the Fund.

Since 1989, the Fund has been capitalized by a series of grants from the U.S Environmental Protection Agency (EPA). States are required to provide matching funds equal to 20 percent of the Federal capitalization grant amount in order to receive the grants from the EPA. As of June 30, 2008 and 2007, the EPA has awarded cumulative capitalization grant funding of \$1,930,949 and \$1,838,157, respectively to the State of California (State), for which the State is required to provide \$386,190 and \$367,631, respectively, of cumulative matching funding to the Fund.

The Fund is administered by the California State Water Resources Control Board (Board), a part of the California Environmental Protection Agency, through the Division of Financial Services (Program). The Board's primary responsibilities with the SRF include obtaining capitalization grants from the EPA, soliciting potential interested parties, negotiating loan agreements with local communities, reviewing and approving payment requests from loan recipients, managing the loan repayments, and conducting inspection and engineering reviews to ensure compliance with all applicable laws, regulations, and program requirements. The Board consists of five member positions, which are appointed by the Governor and confirmed by the Senate.

The Board administers the SRF program by charging the Fund for time spent on SRF activities by employees of the Board, and the Fund reimburses the State for such costs in the following month. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Fund based on direct salary costs. Employees charging time to the Fund are covered by the benefits available to State employees. The Fund is also charged indirect costs through the cost allocation plan for general State expenses.

Reporting Entity

The Fund follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 1 - DEFINITION OF REPORTING ENTITY (CONTINUED)

organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The activities of the Fund are included in the State's Comprehensive Annual Financial Report as an enterprise fund using the accrual basis of accounting.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fund conform to generally accepted accounting principles as applicable to a governmental unit accounted for as a proprietary enterprise fund. The enterprise fund is used since the Fund's powers are related to those operated in a manner similar to a for profit business where an increase in net assets is an appropriate determination of accountability.

Basis of Accounting

The Fund's records are maintained on the accrual basis of accounting. Under the accrual basis of accounting revenue is recognized when earned and expenses are recognized when the liability is incurred. Assets and liabilities associated with the operations of the Fund are included in the Statements of Net Assets.

The Fund has elected to follow Governmental Accounting Standards Board pronouncements as well as statements issued by the Financial Accounting Standards Board on or before November 30, 1989, unless the pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements.

Operating Revenues and Expenses

The Fund distinguishes between operating revenues and expenses and nonoperating items in the Statements of Revenues, Expenses and Changes in Net Assets. Operating revenues and expenses generally result from carrying out the purpose of the Fund of providing low interest loans to communities and providing assistance for prevention programs and administration. Operating revenues consist of loan interest repayments from borrowers. Operating expenses include direct salary costs and benefits expenses, allocated indirect costs and an allowance for bad debt. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

In accordance with generally accepted accounting principles, monies received from the EPA and the State are recorded as capital contributions. In certain circumstances, local communities have contributed the State's matching share in exchange for reduced interest rate loans, as discussed in Note 4.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

When both restricted and unrestricted resources are available for use, it is the Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

Under the California constitution, money may only be drawn from the Treasury by legal appropriation. The State Legislature authorized the SRF to operate under a continuous appropriation. Continuous appropriation authority means that no further appropriations are necessary to expend all funds deposited into the SRF. Therefore, the Fund operations are not included in California's annual budget.

Cash and Cash Equivalents

Nearly all monies of the Fund are deposited with the California State Treasurer's office, which is responsible for maintaining these deposits in accordance with California State law. The Fund considers all such deposits to be cash equivalents. According to State law, the Treasurer is responsible for maintaining the cash balances and investing excess cash of the Fund, as discussed in Note 3. Consequently, management of the Fund does not have any control over the investment of the excess cash. Investment earnings on these deposits are received quarterly. The statement of cash flows considers all funds deposited with the Treasurer to be cash or cash equivalents, regardless of actual maturities of the underlying investments.

Loans Receivable

Loans are funded by capitalization grants from the EPA, State matching funds, local contributions, revenue bond proceeds, loan repayments and fund earnings. Loans are advanced to local agencies on a cost reimbursement basis. Interest is calculated from the date that funds are advanced. After the final disbursement has been made, the loan agreement is adjusted for the actual amounts disbursed and interest accrued during the project period (Construction Period Interest). Loans are amortized over periods up to 20 years. Loan repayments must begin within one year of construction completion or one year from the initial loan disbursement, depending upon the type of loan agreement, and are made on an annual basis.

Revenue Bond Issue Costs and Original Issue Premium

Revenue bond issue costs and original issue premium are being amortized over the term of the bonds using the effective interest method.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 3 - CASH AND INVESTMENTS

The California State Treasurer's Office administers a pooled investment program for the State. This program enables the State Treasurer's Office to combine available cash from all funds and to invest cash that exceeds current needs. The necessary disclosures for the State's pooled investment program are included in the Comprehensive Annual Financial Report of the State of California.

Nearly all monies of the Fund are deposited with the State Treasurer's Office and are considered to be cash equivalents. The Treasurer is responsible for maintaining the cash balances in accordance with California laws, and excess cash is invested in California's Surplus Money Investment Fund, which is part of the Pooled Money Investment Account. The Treasurer is required to maintain a mix of investment portfolios in order to allow funds to be withdrawn at any time to meet normal operating needs, without prior notice or penalty.

The investments allowed by State statute, bond resolutions and investment policy resolutions restrict investments of the pooled investment program to investments in U.S. Government securities, negotiable certificates of deposit, bankers' acceptances, commercial paper, corporate bonds, bank notes, mortgage loans and notes, other debt securities, repurchase agreements, reverse repurchase agreements, equity securities, real estate, mutual funds, and other investments. The Fund's proportionate share of the investment income, based on the average daily balance for the period, is credited to the Fund quarterly. The Treasurer charges all funds of the State an administrative fee, which reduces the interest earned by each fund. All cash and investments are stated at fair value. Details of the investments can be obtained from the State Treasurer's Office.

At June 30, 2008 and 2007, the Fund's cash deposits had a carrying balance of \$5 and \$153, respectively.

Investments held by the State Treasurer are stated at fair value.

Investments	2008	2007
Treasury/Trust Portfolio	<u>\$ 340,989</u>	<u>\$ 418,385</u>
Total cash deposits and investments	<u>\$ 340,994</u>	<u>\$ 418,538</u>

The State Treasurer is responsible for investing funds of the Treasury/Trust Portfolio and managing the credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency credit risk of the Portfolio. Refer to the State's Pooled Investments disclosure in the June 30, 2008 and 2007, Comprehensive Annual Financial Reports for disclosure related to the risks applicable to the Portfolio.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash deposits and investments are reflected on the June 30, 2008 and 2007 statement of net assets as follows:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 298,570	\$ 378,491
Cash and cash equivalents - Restricted	42,424	40,047
Total cash deposits and investments	<u>\$ 340,994</u>	<u>\$ 418,538</u>

As of June 30, 2008, all revenue bond proceeds have been disbursed. Cash and investments in the amount of \$225 representing investment earnings on unspent revenue bonds proceeds at June 30, 2008 were restricted for future loan disbursements. Additionally, cash and investments in the amount of \$42,200 and \$40,047, representing various reserve accounts required by the revenue bonds, at June 30, 2008 and 2007, respectively, were restricted for debt service.

NOTE 4 - LOANS RECEIVABLE

Loans are made to qualified agencies for projects that meet the eligibility requirements of the Federal Clean Water Act of 1987. Loans are financed with capitalization grants, state match, local contributions, revenue bond proceeds and revolving loan funds. Interest rates vary between 1.8 and 4.0 percent and are generally repaid over 20 years starting one year after the project is completed. Interest rates are established in the original loan agreements and are 50 percent of the State's General Obligation Bond Rate at the time the loan commitment is made, except for the local match loans. Interest earned during the construction period is calculated from the date funds are disbursed until the project is completed.

As of June 30, 2008 and 2007, the Fund had total binding loan commitments of \$4,264,540 and \$3,869,007, respectively, since inception of the Fund. The remaining commitment on these loans as of June 30, 2008 and 2007 amounted to \$355,522, of which \$92,084 is federal funds, and \$419,682, of which \$71,067 is federal funds, respectively.

At June 30, 2008 and 2007 the unpaid balance on all loans receivable outstanding amounted to \$2,635,563 and \$2,329,330, respectively.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

Estimated maturities of the loans receivable, and interest payments thereon, at June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	\$ 50,526	\$ 160,098	\$ 210,624
2010	46,753	157,028	203,781
2011	42,965	160,620	203,585
2012	39,092	155,893	194,985
2013	35,412	155,362	190,774
2014-2018	125,638	712,393	838,031
2019-2023	53,453	570,004	623,457
2024-2028	8,804	195,733	204,537
Total	<u>\$ 402,643</u>	<u>2,267,131</u>	<u>\$ 2,669,774</u>
Loans not yet in repayment		374,918	
Allowance for bad debt		(6,486)	
Total loans receivable		<u>\$ 2,635,563</u>	

Restricted Loans Receivable

At June 30, 2008 and 2007, \$511,710 and \$568,138, respectively, of loans receivable were pledged as security for the revenue bonds outstanding (see Note 5). The principal and interest received during the fiscal year from these loans is to be used to make the annual debt service payments on the revenue bonds. During the year ended June 30, 2008 the Fund received \$56,429 and \$15,785 of principal and interest, respectively, on these loans, and during the year ended June 30, 2007 the Fund received \$59,164 and \$17,935 of principal and interest, respectively, on these loans. Any excess of the principal and interest received over the debt service payments required and the required debt service reserve accounts may be released from restriction upon request of the Fund in the event certain requirements are met.

Local Match Loans

The Fund offers the option of obtaining reduced interest rate loans. In order to obtain one of these loans, the local agency must provide the State's matching share of the loan, generally one-sixth or 16.7 percent of the total loan amount. The borrower then repays 100 percent of the loan, including the amount reflected as State matching funds, over a period of twenty years. Borrowers also have the option of remitting the State share of the loan to the Fund when the loan is awarded or paying the State share as the project progresses.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 4 - LOANS RECEIVABLE (CONTINUED)

For loans where the borrower elects to remit the State's match to the Fund at the time the loan is awarded, the amounts remitted are recorded as deferred revenue and are amortized over the life of the loan. For the loans in which the borrowers repay the Fund over 20 years, the Fund considers a portion of such loans to be a loan origination fee. Such fees are amortized over the life of the loan as an adjustment to the stated interest rate. The imputed interest rate on these loans is approximately 1.8 percent.

As of June 30, 2008 and 2007, the Fund had authorized a total of \$1,567,014 and \$1,456,104, respectively, of reduced interest rate loans. From these authorizations, certain borrowers elected to remit the State match at the time the loan was awarded in the amount of \$2,296 as of June 30, 2008 and 2007. The remaining borrowers elected to repay the State match over a period of 20 years, in the amount of \$240,186 and \$194,507 as of June 30, 2008 and 2007, respectively. As of June 30, 2008 and 2007, total local match loans outstanding, including the local match to be paid, amounted to \$1,016,953 and \$830,233, respectively, and the remaining State match to be repaid amounted to \$171,765 and \$140,071, respectively.

Loans to Major Local Agencies

The Fund has made loans to the following major local agencies. The aggregate outstanding loan balances for each of these agencies exceeds 5 percent of total loans receivable. The combined outstanding loan balances at June 30, 2008 and 2007 of these major local agencies represent approximately 21 and 23 percent, respectively, of the total loans receivable and are as follows:

<u>Borrower</u>	<u>2008</u>		<u>2007</u>
	<u>Authorized Loan Amount</u>	<u>Outstanding Loan Balance</u>	<u>Outstanding Loan Balance</u>
Los Angeles County Sanitation District	\$ 504,128	\$ 349,149	\$ 319,135
City of Los Angeles	262,899	196,625	206,377
	<u><u>\$ 767,027</u></u>	<u><u>\$ 545,774</u></u>	<u><u>\$ 525,512</u></u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT

The detail of the Fund's long-term debt is as follows:

	Balance June 30, 2007	Issuances	Retirements	Balance June 30, 2008	Due Within One Year
Series 2002 Revenue Bonds:					
Bond principal	\$ 233,540	\$ -	\$ 23,585	\$ 209,955	\$ 22,930
Bond premium	6,335	-	1,126	5,209	1,036
	<u>239,875</u>	<u>\$ -</u>	<u>\$ 24,711</u>	<u>215,164</u>	<u>\$ 23,966</u>
Less current portion:					
Bond principal	(23,585)			(22,930)	
Bond premium amortization	(1,126)			(1,036)	
Long-term portion	<u>\$ 215,164</u>			<u>\$ 191,198</u>	

	Balance June 30, 2006	Issuances	Retirements	Balance June 30, 2007	Due Within One Year
Series 2002 Revenue Bonds:					
Bond principal	\$ 256,390	\$ -	\$ 22,850	\$ 233,540	\$ 23,585
Bond premium	7,562	-	1,227	6,335	1,126
	<u>263,952</u>	<u>\$ -</u>	<u>\$ 24,077</u>	<u>239,875</u>	<u>\$ 24,711</u>
Less current portion:					
Bond principal	(22,850)			(23,585)	
Bond premium amortization	(1,227)			(1,126)	
Long-term portion	<u>\$ 239,875</u>			<u>\$ 215,164</u>	

On August 7, 2002, the Fund issued \$300,000 of California Infrastructure and Economic Development Bank, Clean Water State Revolving Fund Revenue Bonds, Series 2002, dated August 1, 2002, with interest of 3% to 5%. These serial bonds are due annually in varying amounts through 2018. The interest on the bonds is due semi-annually on April 1 and October 1. The bonds maturing on or after October 1, 2013 are subject to redemption prior to their respective stated maturities at the option of the Fund on any date on or after October 1, 2012 without call premium. The bonds were issued to provide funding for the issuance of additional revolving fund loans by the Fund.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 5 - LONG-TERM DEBT (CONTINUED)

At the time of issuance of the revenue bonds by the Fund, the Fund pledged in excess of \$850,000 of outstanding loans receivable of the Fund as security for the bonds (see Note 4). The principal and interest received during the fiscal year from these loans is to be used to make the annual debt service payments on the revenue bonds. Any excess of the principal and interest received over the debt service payments required and the required debt service reserve accounts may be released from restriction upon request of the Fund in the event certain requirements are met.

The Fund's long-term debt will mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 22,930	\$ 8,963	\$ 31,893
2010	23,655	8,103	31,758
2011	24,390	7,066	31,456
2012	24,285	5,943	30,228
2013	22,895	4,819	27,714
2014-2018	81,800	11,372	93,172
2019	10,000	235	10,235
	<u>\$ 209,955</u>	<u>\$ 46,501</u>	<u>\$ 256,456</u>

NOTE 6 - CAPITAL CONTRIBUTIONS

The Fund is capitalized by annual grants from the EPA. The State must also contribute an amount equal to 20 percent of the federal capitalization amount. The State's matching contribution has been provided through the appropriation of State resources as well as through the use of loans from the Water Reclamation program. All funds drawn are recorded as non-operating revenue from the EPA and the State. As of June 30, 2008 and 2007, the EPA has awarded cumulative capitalization grants of \$1,930,949 and \$1,838,157, respectively, to the State, of which \$1,899,906 and \$1,772,132, respectively, has been drawn, cumulatively, for loans and administrative expenses. The State has provided matching funds of \$332,042 and \$270,752, respectively.

As discussed in Note 4, certain borrowers have contributed a portion of the State's required 20 percent match in exchange for reduced interest rate loans. The EPA allows the State to include amounts provided by borrowers under certain local matching loans in meeting the State's statutory matching obligation. As of June 30, 2008 and 2007, the borrowers had contributed \$242,483 and \$196,803, respectively, which qualify as meeting the State's matching requirement.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
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NOTE 6 - CAPITAL CONTRIBUTIONS (CONTINUED)

Table 1 summarizes the EPA capitalization grants awarded, amounts drawn on each grant as of June 30, 2008 and 2007, and balances available for future loans as of June 30, 2008. Table 2 summarizes the state match amounts paid by the state and local entities as of June 30, 2008 and 2007. As of June 30, 2008 and 2007, the state match required is \$379,981 and \$354,426, respectively. As of June 30, 2008 and 2007, the state match available for potential future state match is \$194,544 and \$113,129, respectively.

TABLE 1

Year	Grant Award	Funds Drawn As of June 30, 2006	Funds Drawn During Year Ended June 30, 2007	Funds Drawn As of June 30, 2007	Funds Drawn During Year Ended June 30, 2008	Funds Drawn As of June 30, 2008	Available for Loans as of June 30, 2008
1989-2002	\$ 1,519,847	\$ 1,519,847	\$ -	\$ 1,519,847	\$ -	\$ 1,519,847	\$ -
2003	94,647	72,467	22,180	94,647	-	94,647	-
2004	94,613	800	93,813	94,613	-	94,613	-
2005	82,666	-	63,025	63,025	19,641	82,666	-
2006	46,384	-	-	-	46,384	46,384	-
2007	92,792	-	-	-	61,749	61,749	31,043
	<u>\$ 1,930,949</u>	<u>\$ 1,593,114</u>	<u>\$ 179,018</u>	<u>\$ 1,772,132</u>	<u>\$ 127,774</u>	<u>\$ 1,899,906</u>	<u>\$ 31,043</u>

TABLE 2

	State Match Paid As of June 30, 2006	State Match Paid During Year Ended June 30, 2007	State Match Paid As of June 30, 2007	State Match Paid During Year Ended June 30, 2008	State Match Paid As of June 30, 2008
State Disbursed	\$ 266,781	\$ 3,971	\$ 270,752	\$ 61,290	\$ 332,042
Local Disbursed	163,802	33,001	196,803	45,680	242,483
	<u>\$ 430,583</u>	<u>\$ 36,972</u>	<u>\$ 467,555</u>	<u>\$ 106,970</u>	<u>\$ 574,525</u>

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 6 - CAPITAL CONTRIBUTIONS (CONTINUED)

Restricted Funds

State matching funds for the 1993 capitalization grant and portions of the 1994 and 1995 capitalization grants were provided by the transfer of \$34,316 of outstanding loans and loan interest earned from California Water Reclamation Loan Fund. In 2006, an additional \$3,545 of outstanding loans and loan interest was transferred to the Fund for future match requirements. Repayments of these loans are restricted for future water reclamation loans that are eligible under the SRF program.

NOTE 7 - RISK MANAGEMENT

The Fund participates in the State of California's Risk Management Program. The State has elected, with a few exceptions, to be self-insured against loss or liability. There have been no significant reductions in insurance coverage from the prior year. In addition, settled claims have not exceeded insurance coverage in the last three fiscal years. Refer to the State's Risk Management disclosure in the June 30, 2008 and 2007, Comprehensive Annual Financial Reports.

NOTE 8 - RETIREMENT PLAN

Plan Description

All of the employees of the Fund participate in the California Public Employees' Retirement System (CalPERS), which is included in the State of California's Comprehensive Annual Financial Report as a pension trust fund. CalPERS administers the Public Employees' Retirement Fund (PERF). PERF is an agent multiple-employer defined benefit retirement plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Departments and agencies within the State of California, including the Fund, are in a cost-sharing arrangement in which all risks and costs are shared proportionately by participating State agencies. CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for this plan. This report may be obtained by writing California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

The pension plan provides retirement benefits, survivor benefits, and death and disability benefits based upon the employee's years of credited service, age and final compensation. Vesting occurs after five or ten years of credited services depending on the benefit tier. Employees who retire at or after age 50 with five or more years of service are entitled to a retirement benefit, payable monthly for the remainder of their lives. Benefit provisions and all other requirements are established by State statute.

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 8 - RETIREMENT PLAN (CONTINUED)

Funding Policy

The Fund is required to contribute the actuarially determined remaining amounts necessary to fund the benefits for its members. The actuarial methods and assumptions used are those adopted by the PERF Board of Administration. The required contribution rates for the years ended June 30, 2008, 2007 and 2006, were 16.633%, 16.997% and 15.942%, respectively, for State Miscellaneous First Tier and 16.565%, 16.778% and 15.890%, respectively, for State Miscellaneous Second Tier. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established and may be amended by CalPERS.

Contributions, annual pension costs and trend information attributable to employees of the Fund for the fiscal year ended June 30, 2008, 2007 and 2006, are not determinable at the Fund level. However, this information is reported at a statewide level in the State of California's Comprehensive Annual Financial Report.

Post-Employment Benefits Other than Pension

In addition to the pension benefits provided by the State, the State also provides post-retirement health care benefits, in accordance with Section 22754(g) of the State Government Code, to all employees who retire from the State on or after attaining certain age and length of service requirements. The post-retirement health care benefits are funded by the State's General Fund on a pay-as-you-go basis. Refer to the State's Post-Employment Benefits Other than Pension disclosure in the June 30, 2008 and June 30, 2007 Comprehensive Annual Financial Reports for disclosure.

NOTE 9 - NET ASSETS

Governmental Accounting Standards Board Statement No. 34 provides for three components of net assets: invested in capital assets, net of related debt, restricted and unrestricted.

As of June 30, 2008 and 2007, the Fund had no net assets invested in capital assets, net of related debt.

Restricted net assets include net assets that are restricted for use, either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. At June 30, 2008 and 2007, the Fund had restricted net assets of \$26,000 and \$23,076, respectively, representing amounts received from borrower loan repayments on pledged loans, which are restricted for future bond debt service payments and \$511,710 and \$568,138, respectively, representing loans receivable pledged as security for the revenue bonds (see Note 5).

CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(Dollar Amounts Expressed in Thousands)

NOTE 9 - NET ASSETS (CONTINUED)

Unrestricted net assets consists of net assets that do not meet the definition of invested in capital assets, net of related debt or restricted. Although the Fund reports unrestricted net assets on the face of the statements of net assets, unrestricted net assets are to be used by the Fund for the payment of obligations incurred by the Fund in carrying out its statutory powers and duties and are to remain in the Fund.

NOTE 10 - LITIGATION

There is one lawsuit pending in regard to the Fund in which the Board is involved. Board management and its legal counsel estimate that the potential claims against the Board not covered by the State of California's Risk Management Program resulting from such litigation would be insignificant.

This information is an integral part of the accompanying financial statements.

**REPORTS REQUIRED BY THE
SINGLE AUDIT ACT AMENDMENTS OF 1996**

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

<u>Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Environmental Protection Agency</u>		
Direct Programs:		
Capitalization Grants for State Revolving Funds	66.458	<u>\$ 127,773,707 (*)</u>

(*) Tested as a Major Program

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the California State Water Resources Control Board, Water Pollution Control Revolving Fund. The information in this schedule is presented in accordance with the requirements of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

NOTE 2 - LOANS TO SUBRECIPIENTS

Capitalization Grants for Clean Water State Revolving Fund CFDA# 66.458 include \$123,967,029 of expenditures that were disbursed as loan awards to qualifying subrecipients.

**Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
with Government Auditing Standards**

California State Water Resources Control Board
Water Pollution Control Revolving Fund
Sacramento, California

We have audited the basic financial statements of the California State Water Resources Control Board, Water Pollution Control Revolving Fund (Water Pollution Control Revolving Fund) as of and for the year ended June 30, 2008 and have issued our report thereon dated September 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Water Pollution Control Revolving Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Water Pollution Control Revolving Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Water Pollution Control Revolving Fund's Management and the U.S. Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Greenwood Village, Colorado
September 30, 2008

**Independent Auditor's Report on Compliance with Requirements
Applicable to the Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

California State Water Resources Control Board
Water Pollution Control Revolving Fund
Sacramento, California

Compliance

We have audited the compliance of California State Water Resources Control Board, Water Pollution Control Revolving Fund (Water Pollution Control Revolving Fund) with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. Water Pollution Control Revolving Fund's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Water Pollution Control Revolving Fund's management. Our responsibility is to express an opinion on Water Pollution Control Revolving Fund's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Water Pollution Control Revolving Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Water Pollution Control Revolving Fund's compliance with those requirements.

In our opinion, Water Pollution Control Revolving Fund complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of California State Water Resources Control Board, Water Pollution Control Revolving Fund is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Water Pollution Control Revolving Fund's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Water Pollution Control Revolving Fund's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Water Pollution Control Revolving Fund's management and the U.S. Environmental Protection Agency and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Greenwood Village, Colorado
September 30, 2008

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

PART I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified		
not considered to be material weaknesses?	_____ yes	_____ <input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements		
noted?	_____ yes	_____ <input checked="" type="checkbox"/> no

Federal Awards

Internal control over major program:		
Material weakness(es) identified?	_____ yes	_____ <input checked="" type="checkbox"/> no
Significant deficiency(ies) identified		
not considered to be material weaknesses?	_____ yes	_____ <input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance		
for major program:	Unqualified	
Any audit findings disclosed that are required		
to be reported in accordance with section 510 (a)		
of OMB Circular A-133?	_____ yes	_____ <input checked="" type="checkbox"/> no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
66.458	Capitalization Grants for State Revolving Funds

Dollar threshold used to distinguish between	
Type A and Type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	_____ yes _____ <input checked="" type="checkbox"/> no

PART II - FINDINGS RELATED TO FINANCIAL STATEMENTS

There were no findings required to be reported under generally accepted *Government Auditing Standards*.

PART III - FINDINGS RELATED TO FEDERAL AWARDS

There were no findings required to be reported under OMB *Circular A-133*.

**CALIFORNIA STATE WATER RESOURCES CONTROL BOARD
WATER POLLUTION CONTROL REVOLVING FUND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

There were no prior audit findings required to be reported under generally accepted government auditing standards or OMB *Circular A-133*.

Exhibit B – Projects Approval Status Report

SRF Program - Project Approval Status

Commitment Date	Contract Execution Date	Disbursement Status	Project Number	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
Commitment Status: Complete		Loan Status: Executed Contract						
1/1/1995	2/1/1988	Complete	740-287	7804	Santa Margarita Water District	Kawada, Eva	1,960,000.00	0.00
7/19/2006	10/25/2006	Complete	6090-110	06 - 802	The Conservation Fund	Magtoto, Mark	25,000,000.00	0.00
1/23/2002	7/22/2005	Complete	740 3903-110	4812	Carlsbad, City of, DPW	Wong, Rich	9,694,504.00	0.00
1/23/2002	7/1/2005	Complete	740 3205-110	5701	Dublin San Ramon Services District	Badyal, Daman	9,965,193.00	0.00
9/6/2006	5/8/2007	Complete	4845-210	06 - 805	Santa Margarita Water District	Johnston, Paul	408,009.00	0.00
1/1/1995	12/22/1986	Complete	740-281	6805	Lakewood, City of	Kawada, Eva	864,831.00	0.00
3/5/2007	10/10/2007	Complete	5053-110	07 - 813	Union Sanitary District	Lee, Wing	1,710,471.00	0.00
1/1/1995	2/1/1989	Complete	740-294	9805	Orange County Water District	Kawada, Eva	2,000,000.00	0.00
1/1/1995	1/22/1987	Complete	740-284	6810	Long Beach Water Dept	Kawada, Eva	2,000,000.00	0.00
1/1/1995	4/1/1994	Complete	740-277	3820	Burbank, City of	Kawada, Eva	3,133,741.00	0.00
1/1/1995	2/1/1988	Complete	740-288	7805	Irvine Ranch Water District	Kawada, Eva	2,000,000.00	0.00
1/1/1995	2/1/1988	Complete	740-289	7806	Los Angeles County Sanitation District	Kawada, Eva	1,755,000.00	0.00
1/1/1995	3/1/1988	Complete	740-290	7807	East Bay Municipal Utility District	Kawada, Eva	121,875.00	0.00
1/1/1995	6/1/1988	Complete	740-291	7808	Santa Barbara, City of	Kawada, Eva	2,000,000.00	0.00
1/1/1995	3/30/1987	Complete	740 2965-110	8801	Alameda, City of	Kawada, Eva	400,431.00	0.00
4/29/1999	12/18/2000	Complete	4452-120	99 - 809	Santa Ana Watershed Project Authority	Zeichner, Glenn	5,089,798.00	0.00
1/1/1995	1/22/1987	Complete	740-283	6807	Santa Clara, City of	Kawada, Eva	934,003.87	0.00
5/20/1999	12/4/2001	Complete	4616-110	99 - 829	Calistoga, City of	Lam, Pat	5,450,364.00	0.00
9/17/1998	12/1/2000	Complete	4150-120	99 - 810	Moulton Niguel Water District	Wong, Rich	19,743,169.00	0.00
12/7/2005	8/3/2006	Complete	4844-110	05 - 808	North Marin Water District	Lam, Pat	4,264,545.00	0.00
2/22/1996	1/29/2001	Complete	4001-410	99 - 821	Los Angeles County Sanitation District	Been, Robert	9,825,312.00	0.00
1/17/2003	4/18/2007	Complete	4540-110	06 - 804	San Diego, City of	Pontureri, Robert	11,067,897.00	0.00
2/22/1996	2/14/2001	Complete	4001-240	99 - 822	Los Angeles County Sanitation District	Been, Robert	44,310,017.00	0.00
4/29/1999	2/26/2001	Complete	4452-130	99 - 825	Santa Ana Watershed Project Authority	Zeichner, Glenn	4,187,933.00	0.00
1/1/1995	12/22/1986	Complete	740-279	6803	Moulton Niguel Water District	Kawada, Eva	1,020,700.00	0.00
2/22/1996	7/28/2003	Complete	4001-470	99 - 828	Los Angeles County Sanitation District	Been, Robert	1,747,661.00	0.00
1/1/1995	4/12/1985	Complete	740 1695-110	6801	South East Regional Reclamation Authority	Kawada, Eva	532,164.00	0.00
4/29/1999	7/20/2001	Complete	4452-140	99 - 830	Santa Ana Watershed Project Authority	Zeichner, Glenn	4,455,792.00	0.00
2/22/1996	7/22/2003	Complete	4001-420	99 - 832	Los Angeles County Sanitation District	Been, Robert	3,678,689.00	0.00
1/1/1995	8/23/1990	Complete	740-271	0804	Irvine Ranch Water District	Kawada, Eva	2,000,000.00	0.00
1/1/1995	12/1/1990	Complete	740-272	0810	Otay Water District	Kawada, Eva	5,000,000.00	0.00
1/1/1995	5/1/1991	Complete	740-273	0822	East Bay Municipal Utility District	Kawada, Eva	1,359,000.00	0.00
1/1/1995	4/1/1993	Complete	740-274	2818	Leucadia County Water District	Kawada, Eva	835,000.00	0.00
10/11/2006	4/11/2007	Complete	4971-110	06 - 803	Redding, City of	Been, Robert	4,360,035.00	0.00
9/16/1999	3/16/2001	Complete	4650-110	99 - 827	San Diego, City of	Been, Robert	7,741,583.00	0.00
6/20/2002	5/11/2006	Complete	4462-140	03 - 815	Orange County Water District	Pontureri, Robert	4,425,725.00	0.00
7/16/2003	8/3/2004	Complete	4793-110	03 - 810	Pismo Beach, City of	Zeichner, Glenn	10,154,284.00	0.00
9/6/2006	12/31/2007	Complete	4701-320	07 - 805	Los Angeles County Sanitation District	Been, Robert	695,161.00	0.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Number	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
5/2/2003	10/28/2004	Complete	4802-110	02 - 827	Corona, City of	Garcia, James	29,940,000.00	0.00
9/6/2006	12/31/2007	Complete	4701-220	07 - 803	Los Angeles County Sanitation District	Been, Robert	1,007,160.00	0.00
2/17/2000	11/22/2002	Complete	740 3902-110	2709	Santa Margarita Water District	Johnston, Paul	7,228,123.00	0.00
6/20/2002	5/11/2006	Complete	4462-120	03 - 813	Orange County Water District	Pontureri, Robert	3,429,338.00	0.00
1/1/1995	9/29/1987	Complete	740 1246-420	8802	East Bay Municipal Utility District	Kawada, Eva	2,495,443.00	0.00
6/20/2002	5/11/2006	Complete	4462-130	03 - 814	Orange County Water District	Pontureri, Robert	2,877,115.00	0.00
11/16/2000	9/29/2004	Complete	4655-130	03 - 811	Piedmont, City of	Zeichner, Glenn	2,512,708.00	0.00
2/22/1996	7/22/2003	Complete	4001-450	00 - 803	Los Angeles County Sanitation District	Been, Robert	7,992,479.00	0.00
6/20/2002	5/11/2006	Complete	4462-160	03 - 817	Orange County Water District	Pontureri, Robert	3,479,837.00	0.00
3/21/2003	2/7/2005	Complete	4846-140	03 - 808	Inland Empire Utilities Agency	Pontureri, Robert	5,406,715.00	0.00
3/6/2003	9/26/2005	Complete	4450-110	04 - 814	Coachella, City of	Ochendusko, Kyle	23,567,024.00	0.00
3/19/2004	12/4/2006	Complete	4783-310	03 - 848	Los Angeles County Sanitation District	Been, Robert	11,451,294.00	0.00
3/19/2004	12/4/2006	Complete	4783-210	03 - 847	Los Angeles County Sanitation District	Been, Robert	12,488,575.00	0.00
9/6/2006	12/11/2007	Complete	4701-110	07 - 800	Los Angeles County Sanitation District	Been, Robert	4,109,604.00	0.00
6/20/2003	11/19/2004	Complete	4528-210	03 - 806	Benicia, City of	Lee, Wing	11,196,432.00	0.00
12/20/2002	11/26/2003	Complete	4801-110	02 - 816	North San Mateo County Sanitation District	Zeichner, Glenn	4,450,128.00	0.00
3/17/2006	6/28/2006	Complete	4665-210	05 - 809	Steger Sanitary District	Lee, Wing	706,004.00	0.00
6/20/2006	1/26/2007	Complete	4969-110	06 - 806	Nevada County Sanitation District #1	Zeichner, Glenn	12,122,824.00	0.00
3/21/2003	3/26/2004	Complete	4846-160	03 - 803	Inland Empire Utilities Agency	Pontureri, Robert	1,370,504.00	0.00
7/11/2003	2/24/2004	Complete	4657-110	03 - 804	Tahoe-Truckee Sanitation Agency	Lee, Wing	47,219,706.00	0.00
9/6/2002	2/20/2004	Complete	4812-110	02 - 821	Napa Sanitation District	Lam, Pat	901,376.00	0.00
9/6/2006	12/26/2007	Complete	4701-340	07 - 807	Los Angeles County Sanitation District	Been, Robert	307,091.00	0.00
3/19/2004	12/12/2003	Complete	4001-500	01 - 822	Los Angeles County Sanitation District	Been, Robert	1,284,519.00	0.00
10/15/2003	9/15/2004	Complete	6085-110	04 - 802	The Nature Conservancy	Magtoto, Mark	9,000,000.00	0.00
12/20/2002	4/13/2004	Complete	4007-610	02 - 823	Alameda, City of	Zeichner, Glenn	1,530,442.00	0.00
6/20/2002	9/1/2004	Complete	4790-110	01 - 825	Vallejo Sanitation & Flood Dist.	Zeichner, Glenn	13,798,201.00	0.00
12/20/2002	5/4/2004	Complete	4728-110	02 - 824	South San Francisco, City of	Lam, Pat	21,138,033.00	0.00
6/20/2003	5/4/2004	Complete	4821-110	03 - 807	Russian River County Sanitation Dist.	Lam, Pat	3,800,969.00	0.00
9/6/2006	1/2/2008	Complete	4701-520	07 - 809	Los Angeles County Sanitation District	Been, Robert	1,088,250.00	36,312.00
9/6/2006	12/11/2007	Complete	4701-510	07 - 808	Los Angeles County Sanitation District	Been, Robert	7,834,409.00	0.00
12/15/1999	2/9/2001	Complete	4666-110	99 - 819	American Canyon, City of	Lee, Wing	10,859,470.00	0.00
6/20/2002	3/4/2004	Complete	4307-110	02 - 818	San Luis Obispo, City of	Badyal, Daman	8,114,137.00	0.00
1/1/1995	11/7/1996	Complete	6025-110	96 - 804	South Lake Tahoe, City of	Kawada, Eva	1,023,515.31	0.00
1/1/1995	4/6/1998	Complete	6053-110	97 - 810	Charleston Drainage District	Kawada, Eva	400,000.00	0.00
6/20/2002	5/11/2006	Complete	4462-110	02 - 814	Orange County Water District	Pontureri, Robert	7,216,196.00	0.00
1/1/1995	11/7/1991	Complete	6000-110	91 - 810	Fresno Metropolitan Flood Control District	Magtoto, Mark	20,236,450.00	0.00
1/1/1995	9/27/1991	Complete	6001-110	91 - 811	San Francisco, City and County of	Kawada, Eva	1,935,867.00	0.00
1/1/1995	6/27/1994	Complete	6022-110	93 - 810	Pacheco Water District	Kawada, Eva	1,869,814.10	0.00
3/21/1994	12/15/1995	Complete	4071-210	95 - 804	Monterey Regional WPCA	Mills, Rich	8,850,000.00	0.00
2/22/1996	12/12/2003	Complete	4001-460	02 - 812	Los Angeles County Sanitation District	Been, Robert	9,536,746.00	0.02
6/1/1993	11/13/1997	Complete	4082-110	95 - 816	Los Angeles County Sanitation District	Been, Robert	8,916,554.00	0.00
1/1/1995	10/23/2003	Complete	6061-120	02 - 811	Napa, County Of, Flood Control and Water	Kashkoli, Ahmad	16,000,000.00	0.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Number	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
1/1/1995	5/16/1997	Complete	6043-110	96 - 808	Napa Resource Conservation District	Kawada, Eva	138,847.44	0.00
1/1/1995	8/25/1997	Complete	6000-120	96 - 813	Fresno Metropolitan Flood Control District	Kawada, Eva	10,000,000.00	0.00
1/1/1995	8/25/1997	Complete	6041-110	96 - 816	Pacheco Water District	Kawada, Eva	737,437.48	0.00
1/1/1995	12/22/1997	Complete	6021-110	96 - 818	Wasco, City of	Kawada, Eva	668,100.00	0.00
1/15/1998	6/4/1998	Complete	4220-110	96 - 822	San Jose, City of	Lam, Pat	7,523,850.00	0.00
1/1/1995	1/22/1998	Complete	6044-110	97 - 805	Panoche Water District	Kawada, Eva	4,227,644.13	0.00
1/18/2001	2/25/2000	Complete	4156-310	99 - 803	Escondido, City of	Pontureri, Robert	12,352,118.00	0.00
1/1/1995	1/5/1996	Complete	6027-110	95 - 806	Westlands Water District	Kawada, Eva	1,000,000.00	0.00
2/22/1996	7/22/2003	Complete	4001-430	00 - 830	Los Angeles County Sanitation District	Been, Robert	3,463,475.00	0.00
3/7/2001	3/27/2001	Complete	4596-110	00 - 805	Hilmar County Water District	Bare, Kathy	2,492,800.00	0.00
9/21/2000	6/25/2001	Complete	4685-110	00 - 806	Sacramento, City of	Lee, Wing	2,603,365.00	0.00
2/22/1996	2/20/2002	Complete	4001-280	00 - 807	Los Angeles County Sanitation District	Been, Robert	8,998,871.00	0.00
7/20/2000	11/14/2000	Complete	6065-110	00 - 812	California State Coastal Conservancy	Kawada, Eva	9,000,000.00	0.00
1/1/1995	6/22/2001	Complete	6075-110	00 - 813	Valley Small Business Development Corporation	Kawada, Eva	720,000.00	0.00
6/18/1998	5/20/2003	Complete	4082-120	00 - 820	Los Angeles County Sanitation District	Been, Robert	38,257,969.00	0.00
7/11/2003	11/13/2003	Complete	4753-110	02 - 819	Susanville Sanitary District	Zeichner, Glenn	4,057,700.00	0.00
11/16/2000	2/26/2002	Complete	4161-110	00 - 829	Oceanside, City of	Willis, Jim	48,772,992.00	0.00
7/17/1997	12/31/1997	Complete	4321-110	97 - 806	Bakersfield, City of	Kawada, Eva	14,954,054.00	0.00
6/18/1998	5/20/2003	Complete	4082-170	00 - 832	Los Angeles County Sanitation District	Been, Robert	1,450,968.00	0.00
1/1/1995	1/31/2002	Complete	6026-120	01 - 801	South Lake Tahoe, City of	Magtoto, Mark	190,936.49	0.00
3/19/2004	7/22/2003	Complete	4001-490	01 - 806	Los Angeles County Sanitation District	Been, Robert	3,933,164.00	0.00
3/19/2004	7/22/2003	Complete	4001-530	01 - 807	Los Angeles County Sanitation District	Been, Robert	3,394,826.00	0.00
3/19/2004	7/21/2003	Complete	4001-510	01 - 808	Los Angeles County Sanitation District	Been, Robert	602,437.00	0.00
6/20/2002	9/18/2003	Complete	4800-110	01 - 821	Redlands, City of	Pontureri, Robert	7,851,084.00	0.00
6/20/2002	7/22/2003	Complete	4772-110	02 - 810	Burlingame, City of	Lee, Wing	10,743,788.00	0.00
2/22/1996	7/22/2003	Complete	4001-290	00 - 821	Los Angeles County Sanitation District	Been, Robert	9,720,121.00	0.00
1/1/1995	1/29/1999	Complete	6020-110	98 - 824	Santa Monica, City of	Kawada, Eva	5,000,000.00	0.00
1/1/1995	3/22/1999	Complete	6050-110	98 - 811	Merced, County of	Kawada, Eva	9,989,422.27	0.00
2/22/1996	3/9/1998	Complete	4001-220	97 - 804	Los Angeles County Sanitation District	Been, Robert	1,176,608.00	0.00
2/22/1996	7/2/1999	Complete	4001-260	98 - 817	Los Angeles County Sanitation District	Been, Robert	3,608,121.00	0.00
2/22/1996	11/1/1999	Complete	4001-250	98 - 818	Los Angeles County Sanitation District	Been, Robert	34,353,276.00	0.00
11/19/1998	10/20/1999	Complete	4085-130	98 - 821	Grass Valley, City of	Lee, Wing	9,027,724.00	0.00
1/1/1995	11/18/1998	Complete	6047-110	98 - 822	Del Puerto Water District	Kashkoli, Ahmad	4,000,000.00	0.00
11/18/1997	9/21/1998	Complete	4220-320	98 - 806	San Jose, City of	Lam, Pat	5,652,221.00	0.00
1/1/1995	10/22/1998	Complete	6045-110	98 - 823	Lost Hills Water District	Kawada, Eva	1,819,907.37	0.00
9/18/1997	11/17/1998	Complete	4357-110	98 - 807	Santa Ynez Community Services District	Marshall, James	410,106.00	0.00
1/1/1995	11/30/1998	Complete	6046-110	98 - 825	Westlands Water District	Kawada, Eva	5,000,000.00	0.00
1/1/1995	1/19/1999	Complete	6026-110	98 - 826	South Lake Tahoe, City of	Kawada, Eva	1,998,000.00	0.00
1/1/1995	3/22/2000	Complete	6061-110	98 - 828	Napa, County Of, Flood Control and Water	Kashkoli, Ahmad	34,000,000.00	0.00
11/19/1998	2/16/2000	Complete	4064-110	98 - 832	South Coast WD	Kawada, Eva	6,371,052.00	0.00
4/29/1999	2/4/2000	Complete	4452-110	98 - 837	Santa Ana Watershed Project Authority	Zeichner, Glenn	3,373,815.00	0.00
1/1/1995	5/26/2000	Complete	6011-110	98 - 842	Metropolitan Water District of So. California	Kawada, Eva	20,000,000.00	0.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Number	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
2/22/1996	7/7/2000	Complete	4001-270	99 - 801	Los Angeles County Sanitation District	Been, Robert	19,798,224.00	0.00
6/20/2002	10/26/2007	Complete	4790-120	07 - 820	Vallejo Sanitation & Flood Dist.	Zeichner, Glenn	4,406,072.00	0.00
11/18/1997	4/16/1999	Complete	4441-120	97 - 829	Sacramento, City of	Lee, Wing	37,015,548.00	0.00
1/1/1995	6/19/1998	Complete	6031-110	97 - 813	Mammoth Lakes, Town of	Kawada, Eva	1,182,000.00	0.00
2/20/1997	7/8/1998	Complete	4220-130	97 - 821	San Jose, City of	Lam, Pat	5,250,994.00	0.00
2/20/1997	7/13/1998	Complete	4220-140	97 - 822	San Jose, City of	Lam, Pat	3,111,638.00	0.00
2/20/1997	7/6/1998	Complete	4220-150	97 - 823	San Jose, City of	Lam, Pat	12,630,523.00	0.00
11/19/1998	5/20/1999	Complete	4156-210	98 - 815	Escondido, City of	Pontureri, Robert	8,149,807.00	0.00
11/18/1997	7/8/1998	Complete	4220-160	97 - 826	San Jose, City of	Lam, Pat	11,778,763.00	0.00
11/18/1997	9/21/1998	Complete	4220-310	98 - 805	San Jose, City of	Lam, Pat	6,443,637.00	0.00
2/22/1996	6/10/1999	Complete	4001-230	97 - 830	Los Angeles County Sanitation District	Been, Robert	95,964,903.00	0.00
2/20/1997	9/21/1998	Complete	4220-120	98 - 802	San Jose, City of	Lam, Pat	4,899,379.00	0.00
2/20/1997	9/21/1998	Complete	4220-180	98 - 803	San Jose, City of	Lam, Pat	4,532,364.00	0.00
2/20/1997	9/2/1998	Complete	4220-190	98 - 804	San Jose, City of	Lam, Pat	3,009,808.00	0.00
11/18/1997	7/6/1998	Complete	4220-170	97 - 824	San Jose, City of	Lam, Pat	8,732,841.00	0.00
9/8/2006	6/12/2008	Not Started	4967-110	07 - 838	Nevada County Sanitation District #1	Zeichner, Glenn	0.00	282,636.00
7/17/2007	11/20/2007	Not Started	6093-110	07 - 817	St Helena, City of	Kashkoli, Ahmad	0.00	9,100,000.00
11/29/2005	9/12/2008	Not Started	4729-130	08 - 804	La Mesa, City of	Pontureri, Robert	0.00	0.00
1/14/2008	8/7/2008	Not Started	5114-110	08 - 802	Napa Sanitation District	Ochendusko, Kyle	0.00	1,426,807.00
6/20/2002	5/22/2008	Not Started	4303-110	07 - 825	East Bay Municipal Utility District	Badyal, Daman	0.00	20,100,000.00
12/4/2007	6/3/2008	Not Started	4111-220	07 - 833	Chico Urban Area Joint Powers Financing Authori	Lam, Pat	0.00	31,666,540.00
9/21/1995	6/16/1997	Ongoing	6036-110	01 - 813	Santa Cruz, County of	Magtoto, Mark	154,000.00	2,046,000.00
6/20/2002	6/14/2006	Ongoing	4462-150	03 - 816	Orange County Water District	Pontureri, Robert	110,218,850.00	3,782,521.00
9/6/2002	10/7/2003	Ongoing	4633-110	98 - 843	Tomales Village Community Services District	Lam, Pat	143,860.00	207,463.00
5/22/2007	11/2/2007	Ongoing	4897-110	07 - 811	Fontana, City of	Bare, Kathy	5,280,986.00	2,993,260.00
3/17/2006	9/12/2006	Ongoing	4200-110	05 - 810	Yucaipa Valley Water District	Pontureri, Robert	43,107,805.00	1,640,551.00
10/10/2007	6/12/2008	Ongoing	4900-110	07 - 821	Inland Empire Utilities Agency	Pontureri, Robert	1,926,460.00	1,021,287.00
11/29/2005	2/8/2008	Ongoing	4729-120	07 - 818	La Mesa, City of	Pontureri, Robert	2,476,920.00	713,493.00
12/4/2007	3/27/2008	Ongoing	4997-110	07 - 827	Chico, City of	Lam, Pat	16,491,891.00	24,132,970.00
6/5/2007	4/18/2008	Ongoing	4470-110	07 - 836	Colfax, City of	Siebal, Danielle	5,289,390.00	2,196,475.00
8/24/2007	7/2/2008	Ongoing	4971-220	07 - 826	Redding, City of	Been, Robert	3,766,379.00	14,428,446.00
8/24/2007	12/11/2007	Ongoing	4971-210	07 - 819	Redding, City of	Been, Robert	4,463,410.00	503,526.00
9/7/2007	3/10/2008	Ongoing	4438-110	07 - 828	Colusa, City of	Brown, Meghan	12,766,027.00	2,733,973.00
6/20/2006	1/16/2007	Ongoing	4968-110	06 - 807	Nevada County Sanitation District #1	Zeichner, Glenn	15,564,464.00	238,865.00
11/15/2006	5/3/2007	Ongoing	4829-110	06 - 811	Lompoc, City of	Lam, Pat	54,593,329.00	21,895,687.00
4/18/2007	2/7/2008	Ongoing	4903-110	07 - 824	Novato Sanitary District	Lee, Wing	29,216,825.00	52,112,258.00
11/16/2005	6/28/2006	Ongoing	4252-510	04 - 815	La Canada Flintridge, City of	Been, Robert	23,574,026.00	3,354,519.00
6/20/2007	11/8/2007	Ongoing	4728-120	07 - 816	South San Francisco, City of	Lam, Pat	6,788,450.00	2,376,055.00
12/11/2007	4/24/2008	Ongoing	5085-110	07 - 829	Union Sanitary District	Lee, Wing	1,603,797.00	8,679,524.00
9/18/2007	5/20/2008	Ongoing	5045-110	07 - 835	Union Sanitary District	Lee, Wing	620,419.00	1,592,013.00
5/22/2007	10/23/2007	Ongoing	4132-110	07 - 814	Palo Alto, City of	Pontureri, Robert	6,388,775.00	1,111,195.00
5/22/2007	2/13/2008	Ongoing	4699-110	07 - 812	Crescent City, City of	Ochendusko, Kyle	21,647,159.00	22,167,017.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Number	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
6/20/2007	9/14/2007	Ongoing	4632-110	07 - 815	Alturas, City of	Albrecht, Jeff	1,437,664.00	162,336.00
5/22/2007	10/23/2007	Ongoing	5051-110	07 - 810	Reedley, City of	Lee, Wing	15,747,777.00	11,217,144.00
11/29/2005	7/27/2006	Ongoing	4825-110	05 - 807	Hayward, City of	Lee, Wing	47,095,858.00	-1,637,692.00
3/19/2004	12/4/2006	Ongoing	4783-110	03 - 846	Los Angeles County Sanitation District	Been, Robert	6,603,153.00	572,841.00
4/16/2004	4/11/2006	Ongoing	4845-110	02 - 826	Santa Margarita Water District	Johnston, Paul	6,480,000.00	1,503,979.00
2/9/2006	6/11/2007	Ongoing	4899-110	06 - 810	Inland Empire Utilities Agency	Pontureri, Robert	12,504,809.00	2,247,397.00
11/29/2005	8/31/2006	Ongoing	4729-110	05 - 811	La Mesa, City of	Pontureri, Robert	3,324,500.00	2,067,777.00
1/25/2006	6/23/2006	Ongoing	4955-110	05 - 802	Placerville, City of	Bare, Kathy	31,605,053.00	4,150,193.00
9/5/2007	4/7/2008	Ongoing	4779-110	07 - 830	Tahoe City Public Utility District	Wooldridge, Kyle	1,716,946.00	760,603.00
9/6/2006	4/26/2007	Ongoing	4823-110	06 - 801	Sonoma Valley County Sanitation District	Lam, Pat	5,786,657.00	1,210,174.00
9/6/2006	12/26/2007	Ongoing	4701-120	07 - 801	Los Angeles County Sanitation District	Been, Robert	152,179.00	0.00
9/6/2006	12/31/2007	Ongoing	4701-210	07 - 802	Los Angeles County Sanitation District	Been, Robert	13,494,908.00	1,120,717.00
9/6/2006	12/21/2007	Ongoing	4701-330	07 - 806	Los Angeles County Sanitation District	Been, Robert	420,393.00	0.00
10/10/2007	6/26/2008	Ongoing	4900-120	07 - 822	Inland Empire Utilities Agency	Pontureri, Robert	3,169,827.00	2,003,036.00
10/10/2007	6/10/2008	Ongoing	4900-130	07 - 823	Inland Empire Utilities Agency	Pontureri, Robert	728,441.00	303,883.00
1/26/2006	8/25/2006	Ongoing	4693-110	05 - 803	Petaluma, City of	Lam, Pat	104,946,594.00	21,017,660.00
9/6/2006	12/11/2007	Ongoing	4701-310	07 - 804	Los Angeles County Sanitation District	Been, Robert	3,686,398.00	259,649.00
Commitment Status: Complete		Loan Status: No Contract						
3/19/2004		Not Started	4001-600	08 - 811	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
5/22/2007		Not Started	4897-210	08 - 805	Fontana, City of	Bare, Kathy	0.00	0.00
12/20/2007		Not Started	4680-140		Ventura, County of	Lam, Pat	0.00	0.00
12/20/2007		Not Started	4680-130		Ventura, County of	Lam, Pat	0.00	0.00
3/19/2004		Not Started	4001-480		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
12/20/2007		Not Started	4680-120		Ventura, County of	Lam, Pat	0.00	0.00
3/19/2004		Not Started	4001-550	08 - 810	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
1/14/2008		Not Started	5114-120		Napa Sanitation District	Ochendusko, Kyle	0.00	0.00
3/19/2004		Not Started	4001-610	08 - 812	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
6/19/2008		Not Started	5055-110		Patterson, City of	Ochendusko, Kyle	0.00	0.00
8/20/2004		Not Started	4793-130		Pismo Beach, City of	Zeichner, Glenn	0.00	0.00
11/29/2005		Not Started	4729-140		La Mesa, City of	Pontureri, Robert	0.00	0.00
5/22/2007		Not Started	4897-220	08 - 807	Fontana, City of	Bare, Kathy	0.00	0.00
4/7/2008		Not Started	4352-110		Lake Arrowhead Community Services Dist.	Garcia, James	0.00	0.00
3/19/2004		Not Started	4001-540	08 - 809	Los Angeles County Sanitation District	Been, Robert	0.00	0.00
8/3/2007		Not Started	4946-110		Ventura County Waterworks Dist 16	Siebal, Danielle	0.00	0.00
3/18/2008		Not Started	4743-110	08 - 803	Soledad, City of	Ochendusko, Kyle	0.00	0.00
9/5/2007		Not Started	4680-110		Ventura, County of	Lam, Pat	0.00	0.00
8/13/2008		Not Started	4242-110		Delano, City of	Zeichner, Glenn	0.00	0.00
3/14/2008		Not Started	5047-110		Grass Valley, City of	Lee, Wing	0.00	0.00
5/22/2007		Not Started	4916-110		Los Angeles County Sanitation District	Siebal, Danielle	0.00	0.00
9/6/2006		Not Started	4701-420		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
1/17/2003		Not Started	4395-110		San Diego, City of	Pontureri, Robert	0.00	0.00
8/6/2008		Not Started	4593-110		Kelseyville CWWD #3	Brown, Meghan	0.00	0.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Number	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
9/6/2006		Not Started	4701-410	08 - 801	Los Angeles County Sanitation District	Been, Robert	0.00	3,591,284.00
Commitment Status:		Incomplete	Loan Status:		No Contract			
		Not Started	5091-110		Morro Bay, City of	Bare, Kathy	0.00	0.00
2/15/2009		Not Started	4655-140		Piedmont, City of	Zeichner, Glenn	0.00	0.00
4/30/2009		Not Started	4516-110		San Clemente, City of	Balgobin, David	0.00	0.00
5/6/2009		Not Started	5272-110		Newcastle Sanitary District	Chase, Bridget	0.00	0.00
10/21/2008		Not Started	5172-110		Antioch, City of	Lam, Pat	0.00	0.00
9/15/2009		Not Started	5052-110		Sanger, City of	Zeichner, Glenn	0.00	0.00
11/20/2008		Not Started	5177-110		Delta Diablo Sanitation District	Badyal, Daman	0.00	0.00
9/10/2008		Not Started	5020-110		East Bay Municipal Utility District	Badyal, Daman	0.00	0.00
11/21/2008		Not Started	5176-110		Inland Empire Utilities Agency	Garcia, James	0.00	0.00
		Not Started	5174-110		Modesto, City of	Wooldridge, Kyle	0.00	0.00
		Not Started	5175-110		Modesto, City of	Wooldridge, Kyle	0.00	0.00
		Not Started	5175-210		Modesto, City of	Wooldridge, Kyle	0.00	0.00
		Not Started	4986-110		Graton County Service Area #2	Lee, Wing	0.00	0.00
11/26/2008		Not Started	5332-110		Inland Empire Utilities Agency	Garcia, James	0.00	0.00
11/18/2008		Not Started	4746-140		Los Angeles County Sanitation District	Garcia, James	0.00	0.00
11/18/2008		Not Started	4746-130		Los Angeles County Sanitation District	Garcia, James	0.00	0.00
11/18/2008		Not Started	4746-120		Los Angeles County Sanitation District	Garcia, James	0.00	0.00
		Not Started	5353-110		San Mateo, County of	Bare, Kathy	0.00	0.00
		Not Started	4470-120		Colfax, City of	Siebal, Danielle	0.00	0.00
10/1/2008		Not Started	5179-110		San Andreas SD	Bare, Kathy	0.00	0.00
12/1/2008		Not Started	5150-110		Kerman, City of	Bare, Kathy	0.00	0.00
3/2/2009		Not Started	4688-110		Oakdale, City of	Chase, Bridget	0.00	0.00
		Not Started	5173-110		Modesto, City of	Wooldridge, Kyle	0.00	0.00
2/2/2009		Not Started	4973-110		Woodlake, City of	McMasters, Steven	0.00	0.00
12/4/2008		Not Started	4997-120		Chico, City of	Lam, Pat	0.00	0.00
7/30/2008		Not Started	5115-140		Upper San Gabriel Valley Municipal Water District	Wong, Rich	0.00	0.00
7/30/2008		Not Started	5115-130		Upper San Gabriel Valley Municipal Water District	Wong, Rich	0.00	0.00
7/30/2008		Not Started	5115-120		Upper San Gabriel Valley Municipal Water District	Wong, Rich	0.00	0.00
		Not Started	6092-110		Sacramento, City of	Schmitz, Lori	0.00	0.00
2/1/2009		Not Started	5233-110		South County Regional Wastewater Authority	Lam, Pat	0.00	0.00
2/6/2009		Not Started	4926-110		Garberville Sanitary District	Brown, Meghan	0.00	0.00
7/30/2008		Not Started	5115-110		Upper San Gabriel Valley Municipal Water District	Wong, Rich	0.00	0.00
12/31/2009		Not Started	4167-110		South Orange County WW Auth.	Balgobin, David	0.00	0.00
2/28/2009		Not Started	4730-110		San Juan Capistrano, City of	Balgobin, David	0.00	0.00
10/16/2008		Not Started	5017-110		Millbrae, City of	Lee, Wing	0.00	0.00
		Not Started	4654-110		Sacramento, City of	Lee, Wing	0.00	0.00
1/30/2009		Not Started	4049-110		Williams, City of	Lawrence, Andrew	0.00	0.00
4/12/2009		Not Started	4966-110		Amador Water Agency	Lee, Wing	0.00	0.00
1/30/2009		Not Started	5151-110		Ross Valley Sanitation District	Wooldridge, Kyle	0.00	0.00
5/15/2009		Not Started	4613-110		Beaumont-Cherry Valley WD	Wong, Rich	0.00	0.00

Commitment Date	Contract Execution Date	Disbursement Status	Project Number	Contract Number	Party	PM	Non-local Disbursement Amount	Non-local Undisbursed Balance
9/15/2008		Not Started	4971-240		Redding, City of	Been, Robert	0.00	0.00
10/1/2008		Not Started	4746-110		Los Angeles County Sanitation District	Garcia, James	0.00	0.00
12/18/2008		Not Started	4998-110		North Coast CWD	Lam, Pat	0.00	0.00
3/30/2008		Not Started	4831-110		Santa Cruz County Sanitation District	Ly, Hoa	0.00	0.00
5/15/2009		Not Started	5103-110		Arvin, City of	Zeichner, Glenn	0.00	0.00
11/15/2008		Not Started	5061-110		Banning, City of	Badyal, Daman	0.00	0.00
5/30/2011		Not Started	4959-110		Malibu, City of	Peltier, Tom	0.00	0.00
10/2/2009		Not Started	4912-110		Barstow, City of	Zeichner, Glenn	0.00	0.00
11/14/2008		Not Started	4001-630		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
1/8/2009		Not Started	4922-110		Rio Dell, City of	Brown, Meghan	0.00	0.00
12/16/2008		Not Started	4001-560		Los Angeles County Sanitation District	Been, Robert	0.00	0.00
4/15/2009		Not Started	5004-110		Coalinga, City of	Zeichner, Glenn	0.00	0.00
1/6/2009		Not Started	5046-110		Ironhouse Sanitary District	Ochendusko, Kyle	0.00	0.00
4/30/2009		Not Started	5159-110		Eastern Municipal Water District	Garcia, James	0.00	0.00
10/24/2008		Not Started	5100-110		Eastern Municipal Water District	Garcia, James	0.00	0.00
12/30/2008		Not Started	5042-110		Live Oak, City of	Lam, Pat	0.00	0.00
2/2/2009		Not Started	5098-110		Linda County Water District	Garcia, James	0.00	0.00
11/26/2008		Not Started	4971-230		Redding, City of	Been, Robert	0.00	0.00
12/2/2008		Not Started	5139-110		Hughson, City of	Wooldridge, Kyle	0.00	0.00
11/15/2008		Not Started	4148-110		Rosamond Community Services Dist	Zeichner, Glenn	0.00	0.00
10/31/2008		Not Started	5157-110		Beaumont-Cherry Valley WD	Garcia, James	0.00	0.00
11/29/2008		Not Started	4682-110		Merced, City of	Willis, Jim	0.00	0.00
9/15/2008		Not Started	4971-260		Redding, City of	Been, Robert	0.00	0.00
9/15/2008		Not Started	4971-250		Redding, City of	Been, Robert	0.00	0.00
10/1/2008		Not Started	4502-110		Brawley, City of	Bare, Kathy	0.00	0.00
10/24/2008		Not Started	5044-110		Palo Alto, City of	Chase, Bridget	0.00	0.00
							1,772,113,620.46	283,090,374.02

Exhibit C – MBE/WBE Report for State Fiscal Year 2007/2008

MBE/WBE ANNUAL REPORT

FY 2007/2008

			COMPLETED	PAID TOTALS TO DATE			4th Quarter			1st Quarter			2nd Quarter			3rd Quarter		
New	Loan	Recipient	ACTIVE	*Paid Totals Include MBE/WBE & Non MBE/WBE Subs			July-Sept. (2007 FY)			Oct-Dec (2008 FY)			Jan-Mar (2008 FY)			April-June (2008 FY)		
ATA	No.		Bid Amount	Totals*	MBE	WBE	Awarded	MBE	WBE	Awarded	MBE	WBE	Awarded	MBE	WBE	Awarded	MBE	WBE
		2004 Cap Grant																
161	4001-460	L.A. Co. CSD	\$9,751,450	\$349,393	\$5,268	\$4,351												
176A	4528-210	Benicia, City of	\$9,583,139	\$929,040	\$0	\$0												
77	4610-120	Vacaville, City of	\$60,929,181	\$2,638,686	\$0	\$0												
132	4771-110	Union Sanitary District	\$13,306,800	\$0	\$0													
178	4793-110	Pismo Beach, City of	\$10,524,000	\$4,563,482	\$4,000.00	\$0.00												
		2004 Cap = \$82,745,541	\$104,094,570	\$8,480,601	\$9,268	\$4,351												
		2005 Cap Grant																
74	4652-110	Sacramento, City of	\$4,894,290	\$4,965,511	\$988,778	\$1,237,839												
91	4708-110	Redding, City of	\$15,477,000	\$14,681,243	\$1,852,278	\$3,320,057												
176	4728-110	So. San Francisco	\$18,255,033	\$19,594,392	\$10,307,402	\$1,543,531												
160	4846-130	Inland Empire Utilities	\$6,009,000	\$6,753,961	\$33,478	\$3,406,510												
184	4846-140	Inland Empire Util. Dist.	\$6,169,498	\$6,139,275	\$371,199	\$33,842												
		2005 Cap = \$46,383,876	\$50,804,821	\$52,134,382	\$13,553,135	\$9,541,779												
		2006 Cap Grant																
207	4729-110	La Mesa, City of	\$4,622,309	\$617,550	\$14,565	\$0	\$5,130	\$4,688	\$0	\$612,420	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
207	4729-120	La Mesa, City of	\$2,714,837	\$920,861	\$18,173	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$920,861	\$18,173	\$0	\$920,861	\$18,173	\$0
172	4846-160	Inland Empire Util. Dist.	\$1,513,291	\$1,925,872	\$1,598,338	\$10,968	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
199	4825-110	Hayward, City of	\$48,770,000	\$48,024,707	\$274,326	\$8,211,982	\$5,878,127	\$2,088	\$1,229,294	\$4,359,108	\$118,350	\$1,176,430	\$2,722,882	\$8,250	\$671,098	\$0	\$0	\$0
174	4462-130	Orange Co. Water Dist.	\$16,084,005	\$16,762,433	\$156,274	\$110,199	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		2006 Cap = \$64,801,235	\$73,704,442	\$68,251,423	\$2,061,676	\$8,333,149	\$5,883,257	\$6,776	\$1,229,294	\$4,971,528	\$118,350	\$1,176,430	\$3,643,743	\$26,423	\$671,098	\$920,861	\$18,173	\$0
		2007 Cap Grant																
204	4955-110	Placerville, City of	\$38,635,000	\$17,906,043	\$0	\$0	\$4,818,344	\$0	\$0	\$2,005,094	\$0	\$0	\$4,583,952	\$0	\$0	\$6,498,653	\$0	\$0
210	4968-110	Nevada County SD	\$16,251,476	\$14,156,580	\$0	\$0	\$6,732,209	\$0	\$0	\$4,997,828	\$0	\$0	\$0	\$0	\$0	\$2,426,543	\$0	\$0
211	4969-110	Nevada County SD	\$10,325,300	\$1,802,932	\$80,113	\$14,102	\$1,802,932	\$80,113	\$14,102	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
214	4971-110	Redding, City of	\$3,650,000	\$1,738,304	\$0	\$0	\$1,445,438	\$0	\$0	\$292,866	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
229	4971-210	Redding, City of	\$4,185,250	\$3,863,990	\$26,355	\$26,833	\$548,792	\$0	\$478	\$1,689,050	\$19,418	\$19,418	\$719,484	\$0	\$0	\$906,664	\$6,937	\$6,937
239	4971-220	Redding, City of	\$18,194,825	\$2,528,637	\$0	\$32,951	\$0	\$0	\$0	\$285,907	\$0	\$0	\$527,571	\$0	\$0	\$1,715,159	\$0	\$32,951
225	4632-110	Alturas, City of	\$2,899,877	\$2,742,332	\$283,376	\$114,811	\$0	\$0	\$0	\$1,087,009	\$60,771	\$84,440	\$774,541	\$0	\$19,099	\$880,782	\$222,605	\$11,272
216	5051-110	Reedley, City of	\$24,092,650	\$8,102,606	\$47,372	\$252,684	\$0	\$0	\$0	\$2,337,335	\$35,750	\$110,052	\$2,534,445	\$10,615	\$125,106	\$3,230,826	\$1,007	\$17,526
		2007 Cap = \$92,791,710	\$118,234,378	\$52,841,424	\$437,216	\$441,381	\$15,347,715	\$80,113	\$14,580	\$12,695,089	\$115,939	\$213,910	\$9,139,993	\$10,615	\$144,205	\$15,658,627	\$230,549	\$68,686

Note: The participation for Clean Water State Revolving Fund contracts reported by local agencies in FY 2007/2008 was 8.2 percent for MBE and 8.3 percent for WBE. The overall MBE/WBE participation was 16.5 percent.

Exhibit D – 2007/2008 Projects Funded by Needs Category

**2007/2008 Intended Use Plan Projects
List of Funded Projects by Needs Category**

Loan Recipient Name	Project Number	IUP Projected Amount	Agreement Date	Priority Class	Cat. I	Cat II	Cat III-A	Cat III-B	Cat IV-A	Cat IV-B	Cat VII-K	Cat X	Total Agreement Amount
Chico Urban Area Joint Powers Fina	4111-220	\$40,624,831	6/3/2008	A					\$38,000,000				\$38,000,000
Palo Alto, City of	4132-110	\$9,000,000	10/23/2007	D								\$9,000,000	\$9,000,000
East By Municipal Utility District	4303-110	\$20,100,000	5/22/2008	C								\$20,100,000	\$20,100,000
Colusa, City of	4438-110	\$15,500,000	3/10/2008	C		\$15,500,000							\$15,500,000
Colfax, City of	4470-110	\$10,907,478	4/18/2008	C		\$6,737,279	\$748,586						\$7,485,865
Alturus, City of	4632-110	\$1,600,000	9/14/2007	D	\$1,136,000			\$464,000					\$1,600,000
Crescent City, City of	4699-110	\$43,814,176	2/13/2008	C		\$39,432,758						\$4,381,418	\$43,814,176
Los Angeles County Sanitation District	4701-110	\$4,931,545	12/11/2007	B	\$4,931,545								\$4,931,545
Los Angeles County Sanitation District	4701-120	\$182,626	12/26/2007	B		\$182,616							\$182,616
Los Angeles County Sanitation District	4701-210	\$17,538,820	12/31/2007	B	\$17,538,820								\$17,538,820
Los Angeles County Sanitation District	4701-220	\$1,208,597	12/31/2007	B	\$1,208,597								\$1,208,597
Los Angeles County Sanitation District	4701-310	\$4,735,275	12/11/2007	B	\$4,735,275								\$4,735,275
Los Angeles County Sanitation District	4701-320	\$834,196	12/31/2007	B		\$834,196							\$834,196
Los Angeles County Sanitation District	4701-330	\$504,474	12/21/2007	B		\$504,474							\$504,474
Los Angeles County Sanitation District	4701-340	\$368,511	12/26/2007	B		\$368,511							\$368,511
Los Angeles County Sanitation District	4701-510	\$9,401,328	12/11/2007	B		\$9,401,328							\$9,401,328
Los Angeles County Sanitation District	4701-520	\$1,349,480	1/2/2008	B		\$1,349,480							\$1,349,480
South San Francisco, City of	4728-120	\$9,164,505	11/8/2007	C				\$9,164,505					\$9,164,505
La Mesa, City of	4729-120	\$3,190,413	2/8/2008	C			\$3,190,413						\$3,190,413
Tahoe City Public Utility District	4779-110	\$2,973,071	4/7/2008	C				\$2,973,071					\$2,973,071
Vallejo Sanitation & Flood District	4790-120	\$4,406,072	10/26/2007	B						\$4,406,072			\$4,406,072
Fontana, City of	4897-110	\$9,929,135	11/2/2007	D						\$9,929,135			\$9,929,135
Inland Empire Utilities Agency	4900-110	\$3,697,615	6/12/2008	C								\$3,537,311	\$3,537,311
Inland Empire Utilities Agency	4900-120	\$5,778,564	6/26/2008	C								\$6,207,461	\$6,207,461
Inland Empire Utilities Agency	4900-130	\$1,329,281	6/10/2008	C								\$1,238,794	\$1,238,794
Novato Sanitary District	4903-110	\$81,329,083	2/7/2008	B	\$81,329,083								\$81,329,083
Nevada County Sanitation District #1	4967-110	\$3,080,000	6/12/2008	C		\$339,164							\$339,164
Redding, City of	4971-210	\$4,966,936	12/11/2007	D	\$3,973,549	\$993,387							\$4,966,936
Chico, City of	4997-110	\$40,800,000	3/27/2008	A	\$40,624,861								\$40,624,861
Union Sanitary District	5045-110	\$2,212,432	5/20/2008	D				\$2,212,432					\$2,212,432
Reedley, City of	5051-110	\$26,964,921	10/23/2007	C	\$26,964,921								\$26,964,921
Union Sanitary District	5053-110	\$1,749,329	10/10/2007	D				\$1,749,329					\$1,749,329
Union Sanitary District	5085-110	\$10,283,321	4/4/2008	B				\$10,283,321					\$10,283,321
St Helena, City of	6093-110	\$9,100,000	11/20/2007	B							\$9,100,000		\$9,100,000
Total		\$403,556,015			\$182,442,651	\$75,643,193	\$3,938,999	\$26,846,658	\$38,000,000	\$14,335,207	\$9,100,000	\$44,464,984	\$394,771,692

Priority Class

A- Public Health Problems
B- Pollution of Impaired Water Bodies
C- Compliance With Requirements and Water Recycling Projects
D- Projects Serving as Preventative Measures

Need Categories

I - Secondary Treatment
II - Advance Treatment
IIIA - Infiltration/Inflow Correction
IIIB - Major Sewer System Rehabilitation
IVA - New Collector Sewers
IVB - New Interceptors and Appurtenances
VIK - Hydromodification
X - Recycled Water Distribution

Note: In SFY 2007/2008 there were 34 binding commitments for a total of \$394,771,692. In addition to the above, there were \$41,713,094 disencumbered from previous binding commitments. Therefore, total committed was \$353,058,598 as reported to NIMS.

Exhibit E – 2007/2008 Non-Funded Projects
**2007/2008 Intended Use Plan Projects
List of Non-Funded Projects**

Loan Recipient Name	Project Number	IUP Projected Amount	Priority Class	Reason For Delay
Redding, City of	4971-220	\$18,194,825	D	Item 1
Fontana, City of	4897-210	\$4,219,846	D	Item 1
Fontana, City of	4897-220	\$5,357,901	C	Item 1
Los Angeles County Sanitation District	4916-110	\$94,727,304	C	Item 1
Los Angeles County Sanitation District	4746-110	\$135,000,000	C	Item 1
Los Angeles County Sanitation District	4001-600	\$4,000,000	B	Item 2
Los Angeles County Sanitation District	4001-610	\$3,000,000	B	Item 2
Los Angeles County Sanitation District	4001-480	\$3,116,074	B	Item 1
Los Angeles County Sanitation District	4001-540	\$5,330,026	B	Item 2
Los Angeles County Sanitation District	4001-550	\$5,300,000	B	Item 1
Rosamond Community Services Dist	4148-110	\$8,348,980	C	Item 1
Lake Arrowhead Comm. Services Dist	4352-110	\$12,000,000	C	Item 1
Total		\$298,594,956		

Reason For Delay

1. Addition/Changes of Needs or Scope
2. Environmental Process Requires Additional Studies, More Documents, and/or More Hearings
3. Changes of Design
4. Delays in the Bidding Process

